



DESCANSO COMMUNITY WATER DISTRICT

September 19, 2023

POSTED:

NOTICE

A Regular Meeting of the Board of Directors of the Descanso Community Water District (DCWD) has been called for:

Tuesday, September 19, 2023, 7:00 pm

Descanso Town Hall, Viejas Grade Blvd., Descanso, CA

AGENDA

1. **CALL TO ORDER, PLEDGE OF ALLEGIANCE.**
2. **ROLL CALL.**
3. **APPROVAL OF AGENDA.**
4. **PUBLIC COMMENT:** An opportunity for the public to comment on any topic that is within the jurisdiction of the Board and not on this agenda. No Board action is authorized for items not on this agenda. The total amount of time allocated for public comment may be limited, and each speaker may be limited to no more than 3 minutes (Brown Act, Section 54954.3).
5. **APPROVAL OF THE MINUTES:** The Board will review the draft minutes from the Regular Meeting held on June 20, 2023, and Special Meeting on July 25, 2023 and take appropriate action.
6. **FINANCIAL REPORT:** The District's accountant will present the financial report to the Board. The Board will consider approval and take appropriate action.
7. **DCWD FINANCIAL AUDIT OF 2021-22:** The District's Auditor or his representative will present the results of the 2022-23 Financial Audit and the Board will take appropriate action.
8. **RFP/RFQ for 2022-2023 DCWD FINANCIAL AUDIT SERVICES:** The Board will review proposal submitted by Nigro and Nigro for the proposed RFP/RFQ for 2022-23 Financial Audit Services and beyond and take appropriate action.
9. **AUDIT PROFESSIONAL SERVICES AGREEMENT:** The District Engineer will update the Board regarding the Treatment Project Status and the Board will take appropriate action.
10. **STATUS OF WELL NO. 7 IMPROVEMENTS AND IRON MANGANESE TREATMENT FACILITY IMPROVEMENTS:** The District Engineer will update the Board regarding the Treatment Project Status and the Board will take appropriate action.
11. **PRESENTATION OF CONSOLIDATION FEASIBILITY STUDY FOR GUATAY MUTUAL BENEFIT CORPORATION:** The District Engineer provide an presentation of the consolidation and feasibility study for Guatay Mutal and the Board will take appropriate action.
12. **CLOSED SESSION CONTRACT DISCUSSION:** The Board will discuss the current contract for engineering services and take appropriate action.
13. **GENERAL MANAGER'S REPORT:** The GM will provide a report for activities occurring since the last meeting.
 - A. Water Quality and customer complaints
 - B. Water usage and testing results
 - C. Engineering Report
 - D. Q&A

14. **DCWD BOARD DIRECTORS NEWSLETTER:** The Board will discuss a draft outline of the DCWD Board of Directors Newsletter and take appropriate action.

15. **OTHER ITEMS DIRECTLY RELATED TO PREVIOUS AGENDA ITEMS ABOVE AS MAY BE BROUGHT BEFORE THE BOARD OF DIRECTORS**

16. **MOTION TO ADJOURN**

Board of Directors		
Maureen Phillips President (619) 445-6042	Sheri Minix Director (619) 823-4216	Lee Johnson Financial Officer (619) 445-4122
Vacancy	Vacancy	Dan DeMoss General Manager (916) 616-7761

NOTE: Arrangements will be made for handicapped accessibility as required. Please contact the District by calling (855) 224-6981 (7 days a week-24/7). The next regular meeting of the Descanso Community Water District Board of Directors will be held on December 19, 2023.

Item 1

CALL TO ORDER, PLEDGE OF ALLEGIANCE

Item 2

ROLL CALL:

1. Maureen Phillips
2. Sheri Minx
3. Lee Johnson
3. Dan DeMoss

Item 3

APPROVAL OF AGENDA:

The Board will review and discuss any last-minute revisions to the posted agenda.

Notes:

Item 4

PUBLIC COMMENT:

An opportunity for the public to comment on any topic that is within the jurisdiction of the Board and not on this agenda. No board action is authorized for items not on this agenda. The total amount of time allocated for public comment may be limited and each speaker may be limited to no more than 3 minutes (Brown Act Section 54854.3).

Notes:

Item 5

APPROVAL OF THE MINUTES:

The Board will review the draft minutes from the Regular Meeting held on June 20, 2023, and Special Meeting on July 25, 2023 and take appropriate action.

Notes:

Minutes

A Meeting of the Board of Directors of the Descanso Community Water District (DCWD) has been called for:

***Tuesday, June 20th, 2023, 7:00 pm
Descanso Town Hall, Viejas Grade Blvd., Descanso, CA***

1. **CALL TO ORDER, PLEDGE OF ALLEGIANCE:** The meeting was called to order by President Phillips at 7:03 PM.
2. **ROLL CALL:** Members present were Phillips, Johnson, and Minix. Operations Manager Julie Meeks with SUSP, SUSP/DCWD Operations Manager Travis Creamer, SUSP/DCWD Billing Specialist Cierra Boykin and Jason Kaminsky with HNK CPAs.
3. **APPROVAL OF AGENDA:** Since item #8 is currently not available for review, it was agreed that a special meeting will be held and that it will be tabled until further notice. It was also once again asked that “Final Acceptance for Viejas Boulevard Pipeline Improvements” be removed from item #7 on the agenda as it still had not been removed. A motion to approve the agenda with the two adjustments was given by Johnson and a second by Minix. A vote was taken, 3 approved and 0 opposed.
4. **PUBLIC COMMENT:** No comments were made by the public.
5. **SWEARING IN NEW BOARD MEMBER SHERI MINIX:** Sheri Minix was sworn into the Descanso Community Water District’s Board of Directors. No action needed.
6. **APPROVAL OF THE MINUTES OF THE MARCH 2023 MEETING:** A motion to approve the minutes was made by Johnson and a second by Phillips. A vote was taken, 3 approved and 0 opposed.
7. **FINANCIAL REPORT:** Jason Kaminsky with HNK CPAs went over the financial report with the board and answered all questions. No action needed.
8. **PROPOSED FY 2023/2024 BUDGET:** Item #8 has been tabled until further notice.
9. **ACCOUNTING SERVICES ENGAGEMENT RENEWAL:** Kaminsky went over the contract with the board as they reviewed it. A motion to approve the contract to renew accounting

services with HNK CPAs was made by Johnson and a second by Minix. A vote was taken, 3 approved and 0 opposed.

10. UPDATE ON AUDIT 2021-2022 AND ISSUANCE FOR REQUEST FOR QUOTE (RFQ) FOR AUDITOR SERVICES FOR 2022-2023 AND 2023-2024 FISCAL YEARS: Phillips had started off by explaining how she has received notice that we were out of compliance since our audit was never received. The auditor, Brian Hadley, said he would have it done by August 11th which is the date we were given that we would receive a site visit had the audit still not been received. Kaminsky answered some questions from Johnson regarding the contract with Hadley. A special meeting was discussed for budget and to approve an RFP/Q that would be sent to legal for review and then sent out. A motion to approve a request for quotes on auditor services and a special meeting were made by Minix and a second by Johnson. A vote was taken, 3 approved and 0 opposed.

11. GENERAL MANAGERS REPORT: Travis Creamer went over the General Managers Report and answered any questions. He explained that the CCR would be put on the website by July 1st and that a note would be put on the bills letting customers know to contact us for a physical copy. Meeks stated how we have been “re-districted” and are now under Imperial District. Meeks also went over our current past due status and the steps we have taken so far since the covid restrictions have been lifted. It was discussed that a separate policy and procedure be written for shut-offs. No action needed.

12. DCWD BOARD OF DIRECTOR’S NEWSLETTER: Phillips would like to create a letter announcing Gary Sanner’s passing as well as Minix joining the board to put be on the website. A motion to approve the letter to be put on the website was made by Minix and a second by Johnson. A vote was taken, 3 approved and 0 opposed.

13. SUCH OTHER ITEMS DIRECTLY RELATED TO THE ABOVE-DESCRIBED MATTERS AS MAY BE BROUGHT BEFORE THE BOARD OF DIRECTORS: No action needed.

14. MOTION TO ADJOURN: A motion was given by Minix and a second by Johnson to adjourn the meeting at 8:25 PM. A vote was taken, 3 approved and 0 opposed.

Board of Directors		
Maureen Phillips President (619) 445-6042	Sheri Minix Director (619) 823-4216	Lee Johnson Finance Officer (619) 445-4122

Vacancy	Vacancy	Dan DeMoss General Manager (916) 616-7761
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Minutes

A Special Meeting of the Board of Directors of the Descanso Community Water District (DCWD) has been called for:

***Tuesday, June 25th, 2023, 7:00 pm
Descanso Town Hall, Viejas Grade Blvd., Descanso, CA***

1. **CALL TO ORDER, PLEDGE OF ALLEGIANCE:** The meeting was called to order by President Phillips at 7:04 PM.
2. **ROLL CALL:** Members present were Phillips, Minix, and Johnson. Dan DeMoss with CRWA, SUSP/DCWD Operations Manager Travis Creamer, SUSP/DCWD Billing Specialist Cierra Boykin and Jason Kaminsky with HNK CPAs.
3. **APPROVAL OF AGENDA:** Defer and put on hold Item #6 as nothing has been received from auditor. No action needed.
4. **PUBLIC COMMENT:** No comments were made by the public.
5. **DCWD 2023-2024 BUDGET:** Kaminsky went over the budget and answered any questions. He suggested that if a tractor is not bought this year, that it should be dropped from next year's budget. DeMoss said that there should be no consideration to raise the rates again until the treatment plant is complete. A motion to approve the 2023-2024 budget was made by Johnson and a second by Minix. A vote was taken, 3 approved and 0 opposed.
6. **DCWD FINANCIAL AUDIT OF 2021-22:** Tabled until further notice; Phillips explained the status regarding the audit according to the auditor. No action needed.
7. **RFP/RFQ FOR 2022-2023 DCWD FINANCIAL AUDIT SERVICES:** Phillips went over the RFP and how we should go with the version that Procopio sent. Audit firms will have until August 15th to return their proposals. A motion to approve the RFP with changes and send out was made by Minix and a second by Sanner. A vote was taken, 3 approved and 0 opposed.
8. **UPDATE ON WATER TREATMENT PROJECT STATUS AND PROJECT ENGINEERING:** DeMoss went over the project timeline and information that was provided by James Owens, the

engineer. September 2024 is the projected completion of the project. DeMoss answered questions from Phillips regarding additional funding. No action needed.

9. **SUCH OTHER ITEMS DIRECTLY RELATED TO THE ABOVE-DESCRIBED MATTERS AS MAY BE BROUGHT BEFORE THE BOARD OF DIRECTORS:** No action needed.

10. **MOTION TO ADJOURN:** A motion was given by Johnson and a second by Minix to adjourn the meeting at 7:51 PM. A vote was taken, 3 approved and 0 opposed.

Board of Directors		
Maureen Phillips President (619) 445-6042	Sheri Minix Director (619) 823-4216	Lee Johnson Finance Officer (619) 445-4122
Vacancy	Vacancy	Dan DeMoss General Manager (916) 616-7761

Item 6

FINANCIAL REPORT:

The District's accountant will present the financial report to the Board. The Board will consider approval and take appropriate action.

Notes:

Descanso Community Water District
Statement of Net Position
As of June 30, 2023

	Jun 30, 23
ASSETS	
Current Assets	
Checking/Savings	
Cash and Cash Equivalents	
Cash	
General Fund7573-Cal Bank	
Installment Fund-USDA Series 21	56,320
Reserve Fund-USDA Series 2021	11,831
Depr Reserve-USDA Series 2021	11,468
General Fund7573-Cal Bank - Other	183,590
Total General Fund7573-Cal Bank	263,209
Checking7680-Cal Bank	24,375
Emgncy/Cap ImproveFund-Cal Bank	540,150
Installment Fund - US Bank	280
Reserve Fund - US Bank	37,882
Total Cash	865,896
Total Cash and Cash Equivalents	865,896
Total Checking/Savings	865,896
Accounts Receivable	
Customer Accounts Receivable	
Customer Accounts Receivable	
Customer Prepayments	-2,918
Customer Accounts Receivable - Other	270,013
Total Customer Accounts Receivable	267,095
Total Customer Accounts Receivable	267,095
Allowance for Doubtful Accounts	-290
Total Accounts Receivable	266,805
Other Current Assets	
Loan Receivable-USDA	359,000
Security Deposits	3,710
Materials and Supplies	29,231
Prepayments	
G&A	266
Taxes/Fees	158
Total Prepayments	424
Total Other Current Assets	392,365
Total Current Assets	1,525,066
Fixed Assets	
Utility Plant-At Original Cost	
Utility plant-original cost	3,118,280
Total Utility Plant-At Original Cost	3,118,280
Accumulated Depreciation	
Utility Plant-Acc Depr	-1,008,001
Total Accumulated Depreciation	-1,008,001

Descanso Community Water District
Statement of Net Position
As of June 30, 2023

	Jun 30, 23
Total Fixed Assets	2,110,279
Other Assets	
Uncapitalized Fixed Assets -WIP	934,484
Total Other Assets	934,484
TOTAL ASSETS	4,569,829
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	42,513
Other Current Liabilities	
Current Portion of LTD	
Loan Payable - Union Bank of Ca	17,800
Loan Payable - SD County	4,323
USDA Series 2021A Short Term	24,000
USDA Series 2021B Short Term	7,000
Total Current Portion of LTD	53,123
Interest Accrued	
Int Accr-LTD-Outside	18,066
Total Interest Accrued	18,066
Total Other Current Liabilities	71,189
Total Current Liabilities	113,702
Long Term Liabilities	
Long-Term Debt	
Loan Payable - UBOC 4/2038	359,436
Loan Payable-SD County 1/2041	99,674
USDA Series 2021A Long Term	1,445,000
USDA Series 2021B Long Term	396,000
Total Long-Term Debt	2,300,110
Total Long Term Liabilities	2,300,110
Total Liabilities	2,413,812
Equity	
Previous Net Position	2,082,409
Net Income	73,609
Total Equity	2,156,018
TOTAL LIABILITIES & EQUITY	4,569,830

Descanso Community Water District
Statement of Revenues, Expenses, & Change in Net Position
 April through June 2023

	<u>Apr 23</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>	<u>May 23</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>
Ordinary Income/Expense								
Income								
Operating Revenues	39,971	41,314	-1,343	97%	42,222	43,953	-1,731	96%
Total Income	<u>39,971</u>	<u>41,314</u>	<u>-1,343</u>	<u>97%</u>	<u>42,222</u>	<u>43,953</u>	<u>-1,731</u>	<u>96%</u>
Gross Profit	39,971	41,314	-1,343	97%	42,222	43,953	-1,731	96%
Expense								
Operating Expenses	798	1,117	-319	71%	1,076	1,203	-127	89%
Water Treatment	160	3,312	-3,152	5%	385	770	-385	50%
Repairs and Maintenance	824	1,478	-654	56%	862	1,478	-616	58%
Transmission & Distribution	26,228	26,989	-761	97%	26,226	26,989	-763	97%
Depreciation	5,850	5,850	0	100%	5,850	5,850	0	100%
General & Administrative	4,554	3,591	963	127%	4,601	3,592	1,009	128%
Total Expense	<u>38,414</u>	<u>42,337</u>	<u>-3,923</u>	<u>91%</u>	<u>39,000</u>	<u>39,882</u>	<u>-882</u>	<u>98%</u>
Net Ordinary Income	1,557	-1,023	2,580	-152%	3,222	4,071	-849	79%
Other Income/Expense								
Other Income								
Treatment Plant Project Charge	7,639	7,687	-48	99%	7,639	7,687	-48	99%
Viejas Grade Project Charge	1,581	1,591	-10	99%	1,581	1,591	-10	99%
Supp Debt Charge	4,505	4,533	-28	99%	4,505	4,533	-28	99%
Interest Income	382	15	367	2,547%	899	15	884	5,993%
Total Other Income	<u>14,107</u>	<u>13,826</u>	<u>281</u>	<u>102%</u>	<u>14,624</u>	<u>13,826</u>	<u>798</u>	<u>106%</u>
Other Expense								
Interest Expense	4,522	4,550	-28	99%	4,102	4,550	-448	90%
Total Other Expense	<u>4,522</u>	<u>4,550</u>	<u>-28</u>	<u>99%</u>	<u>4,102</u>	<u>4,550</u>	<u>-448</u>	<u>90%</u>
Net Other Income	9,585	9,276	309	103%	10,522	9,276	1,246	113%
Net Income	<u><u>11,142</u></u>	<u><u>8,253</u></u>	<u><u>2,889</u></u>	<u><u>135%</u></u>	<u><u>13,744</u></u>	<u><u>13,347</u></u>	<u><u>397</u></u>	<u><u>103%</u></u>

Descanso Community Water District
Statement of Revenues, Expenses, & Change in Net Position
 April through June 2023

					TOTAL			
	Jun 23	Budget	\$ Over Budget	% of Budget	Apr - Jun 23	Budget	\$ Over Budget	% of Budget
Ordinary Income/Expense								
Income								
Operating Revenues	41,736	43,950	-2,214	95%	123,929	129,217	-5,288	96%
Total Income	41,736	43,950	-2,214	95%	123,929	129,217	-5,288	96%
Gross Profit	41,736	43,950	-2,214	95%	123,929	129,217	-5,288	96%
Expense								
Operating Expenses	1,785	1,497	288	119%	3,659	3,817	-158	96%
Water Treatment	360	3,604	-3,244	10%	905	7,686	-6,781	12%
Repairs and Maintenance	969	1,478	-509	66%	2,655	4,434	-1,779	60%
Transmission & Distribution	26,228	26,989	-761	97%	78,682	80,967	-2,285	97%
Depreciation	0	5,850	-5,850	0%	11,700	17,550	-5,850	67%
General & Administrative	4,976	10,042	-5,066	50%	14,131	17,225	-3,094	82%
Total Expense	34,318	49,460	-15,142	69%	111,732	131,679	-19,947	85%
Net Ordinary Income	7,418	-5,510	12,928	-135%	12,197	-2,462	14,659	-495%
Other Income/Expense								
Other Income								
Treatment Plant Project Charge	7,615	7,688	-73	99%	22,893	23,062	-169	99%
Viejas Grade Project Charge	1,576	1,592	-16	99%	4,738	4,774	-36	99%
Supp Debt Charge	4,490	4,533	-43	99%	13,500	13,599	-99	99%
Interest Income	1,145	15	1,130	7,633%	2,426	45	2,381	5,391%
Total Other Income	14,826	13,828	998	107%	43,557	41,480	2,077	105%
Other Expense								
Interest Expense	0	4,550	-4,550	0%	8,624	13,650	-5,026	63%
Total Other Expense	0	4,550	-4,550	0%	8,624	13,650	-5,026	63%
Net Other Income	14,826	9,278	5,548	160%	34,933	27,830	7,103	126%
Net Income	<u>22,244</u>	<u>3,768</u>	<u>18,476</u>	<u>590%</u>	<u>47,130</u>	<u>25,368</u>	<u>21,762</u>	<u>186%</u>

Descanso Community Water District
Statement of Revenues, Expenses, & Change in Net Position
 July 2022 through June 2023

	<u>Jul 22</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>	<u>Aug 22</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>
Ordinary Income/Expense								
Income								
Operating Revenues	44,549	46,017	-1,468	97%	45,903	46,017	-114	100%
Total Income	44,549	46,017	-1,468	97%	45,903	46,017	-114	100%
Gross Profit	44,549	46,017	-1,468	97%	45,903	46,017	-114	100%
Expense								
Operating Expenses	2,281	1,570	711	145%	2,198	1,615	583	136%
Water Treatment	19,863	3,251	16,612	611%	90	3,559	-3,469	3%
Repairs and Maintenance	1,387	1,467	-80	95%	3,135	1,467	1,668	214%
Transmission & Distribution	26,220	26,990	-770	97%	26,220	26,989	-769	97%
Depreciation	5,869	5,869	0	100%	5,869	5,869	0	100%
General & Administrative	3,943	3,524	419	112%	2,617	3,592	-975	73%
Total Expense	59,563	42,671	16,892	140%	40,129	43,091	-2,962	93%
Net Ordinary Income	-15,014	3,346	-18,360	-449%	5,774	2,926	2,848	197%
Other Income/Expense								
Other Income								
Treatment Plant Project Charge	7,639	7,687	-48	99%	7,663	7,687	-24	100%
Viejas Grade Project Charge	1,581	1,591	-10	99%	1,586	1,591	-5	100%
Supp Debt Charge	4,505	4,534	-29	99%	4,519	4,533	-14	100%
Interest Income	79	15	64	527%	156	15	141	1,040%
Total Other Income	13,804	13,827	-23	100%	13,924	13,826	98	101%
Other Expense								
Interest Expense	1,380	4,630	-3,250	30%	4,629	4,630	-1	100%
Total Other Expense	1,380	4,630	-3,250	30%	4,629	4,630	-1	100%
Net Other Income	12,424	9,197	3,227	135%	9,295	9,196	99	101%
Net Income	<u>-2,590</u>	<u>12,543</u>	<u>-15,133</u>	<u>-21%</u>	<u>15,069</u>	<u>12,122</u>	<u>2,947</u>	<u>124%</u>

Descanso Community Water District
Statement of Revenues, Expenses, & Change in Net Position
July 2022 through June 2023

	<u>Sep 22</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>	<u>Oct 22</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>
Ordinary Income/Expense								
Income								
Operating Revenues	42,144	45,015	-2,871	94%	42,937	44,958	-2,021	96%
Total Income	42,144	45,015	-2,871	94%	42,937	44,958	-2,021	96%
Gross Profit	42,144	45,015	-2,871	94%	42,937	44,958	-2,021	96%
Expense								
Operating Expenses	2,186	1,292	894	169%	2,001	1,346	655	149%
Water Treatment	0	1,039	-1,039	0%	170	3,311	-3,141	5%
Repairs and Maintenance	885	1,467	-582	60%	587	1,478	-891	40%
Transmission & Distribution	26,220	26,990	-770	97%	26,220	26,989	-769	97%
Depreciation	5,869	5,869	0	100%	5,869	5,869	0	100%
General & Administrative	2,787	3,692	-905	75%	4,678	5,191	-513	90%
Total Expense	37,947	40,349	-2,402	94%	39,525	44,184	-4,659	89%
Net Ordinary Income	4,197	4,666	-469	90%	3,412	774	2,638	441%
Other Income/Expense								
Other Income								
Treatment Plant Project Charge	7,663	7,687	-24	100%	7,663	7,688	-25	100%
Viejas Grade Project Charge	1,586	1,592	-6	100%	1,586	1,591	-5	100%
Supp Debt Charge	4,519	4,533	-14	100%	4,519	4,533	-14	100%
Interest Income	164	15	149	1,093%	206	15	191	1,373%
Total Other Income	13,932	13,827	105	101%	13,974	13,827	147	101%
Other Expense								
Interest Expense	4,629	4,630	-1	100%	4,595	4,596	-1	100%
Total Other Expense	4,629	4,630	-1	100%	4,595	4,596	-1	100%
Net Other Income	9,303	9,197	106	101%	9,379	9,231	148	102%
Net Income	<u>13,500</u>	<u>13,863</u>	<u>-363</u>	<u>97%</u>	<u>12,791</u>	<u>10,005</u>	<u>2,786</u>	<u>128%</u>

Descanso Community Water District
Statement of Revenues, Expenses, & Change in Net Position
July 2022 through June 2023

	<u>Nov 22</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>	<u>Dec 22</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>
Ordinary Income/Expense								
Income								
Operating Revenues	42,035	41,797	238	101%	39,454	42,588	-3,134	93%
Total Income	42,035	41,797	238	101%	39,454	42,588	-3,134	93%
Gross Profit	42,035	41,797	238	101%	39,454	42,588	-3,134	93%
Expense								
Operating Expenses	2,131	1,552	579	137%	977	1,050	-73	93%
Water Treatment	0	739	-739	0%	617	3,355	-2,738	18%
Repairs and Maintenance	5,557	1,478	4,079	376%	893	1,478	-585	60%
Transmission & Distribution	26,224	26,990	-766	97%	26,224	26,989	-765	97%
Depreciation	5,858	5,858	0	100%	5,850	5,850	0	100%
General & Administrative	4,337	3,592	745	121%	7,967	3,812	4,155	209%
Total Expense	44,107	40,209	3,898	110%	42,528	42,534	-6	100%
Net Ordinary Income	-2,072	1,588	-3,660	-130%	-3,074	54	-3,128	-5,693%
Other Income/Expense								
Other Income								
Treatment Plant Project Charge	7,663	7,687	-24	100%	7,639	7,687	-48	99%
Viejas Grade Project Charge	1,586	1,591	-5	100%	1,581	1,592	-11	99%
Supp Debt Charge	4,519	4,533	-14	100%	4,505	4,533	-28	99%
Interest Income	103	15	88	687%	98	15	83	653%
Total Other Income	13,871	13,826	45	100%	13,823	13,827	-4	100%
Other Expense								
Interest Expense	4,595	4,596	-1	100%	4,595	4,596	-1	100%
Total Other Expense	4,595	4,596	-1	100%	4,595	4,596	-1	100%
Net Other Income	9,276	9,230	46	100%	9,228	9,231	-3	100%
Net Income	<u>7,204</u>	<u>10,818</u>	<u>-3,614</u>	<u>67%</u>	<u>6,154</u>	<u>9,285</u>	<u>-3,131</u>	<u>66%</u>

Descanso Community Water District
Statement of Revenues, Expenses, & Change in Net Position
July 2022 through June 2023

	<u>Jan 23</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>	<u>Feb 23</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>
Ordinary Income/Expense								
Income								
Operating Revenues	40,977	41,770	-793	98%	41,214	41,767	-553	99%
Total Income	<u>40,977</u>	<u>41,770</u>	<u>-793</u>	<u>98%</u>	<u>41,214</u>	<u>41,767</u>	<u>-553</u>	<u>99%</u>
Gross Profit	40,977	41,770	-793	98%	41,214	41,767	-553	99%
Expense								
Operating Expenses	1,096	1,124	-28	98%	1,193	1,018	175	117%
Water Treatment	1,210	622	588	195%	19,953	706	19,247	2,826%
Repairs and Maintenance	36,337	1,478	34,859	2,459%	858	1,478	-620	58%
Transmission & Distribution	26,226	26,990	-764	97%	26,786	26,989	-203	99%
Depreciation	5,850	5,850	0	100%	5,850	5,850	0	100%
General & Administrative	4,355	3,591	764	121%	4,434	3,592	842	123%
Total Expense	<u>75,074</u>	<u>39,655</u>	<u>35,419</u>	<u>189%</u>	<u>59,074</u>	<u>39,633</u>	<u>19,441</u>	<u>149%</u>
Net Ordinary Income	-34,097	2,115	-36,212	-1,612%	-17,860	2,134	-19,994	-837%
Other Income/Expense								
Other Income								
Treatment Plant Project Charge	7,639	7,687	-48	99%	7,639	7,688	-49	99%
Viejas Grade Project Charge	1,581	1,591	-10	99%	1,581	1,591	-10	99%
Supp Debt Charge	4,505	4,533	-28	99%	4,505	4,533	-28	99%
Interest Income	219	15	204	1,460%	215	15	200	1,433%
Total Other Income	<u>13,944</u>	<u>13,826</u>	<u>118</u>	<u>101%</u>	<u>13,940</u>	<u>13,827</u>	<u>113</u>	<u>101%</u>
Other Expense								
Interest Expense	1,443	4,584	-3,141	31%	4,584	4,584	0	100%
Total Other Expense	<u>1,443</u>	<u>4,584</u>	<u>-3,141</u>	<u>31%</u>	<u>4,584</u>	<u>4,584</u>	<u>0</u>	<u>100%</u>
Net Other Income	<u>12,501</u>	<u>9,242</u>	<u>3,259</u>	<u>135%</u>	<u>9,356</u>	<u>9,243</u>	<u>113</u>	<u>101%</u>
Net Income	<u>-21,596</u>	<u>11,357</u>	<u>-32,953</u>	<u>-190%</u>	<u>-8,504</u>	<u>11,377</u>	<u>-19,881</u>	<u>-75%</u>

Descanso Community Water District
Statement of Revenues, Expenses, & Change in Net Position
July 2022 through June 2023

	<u>Mar 23</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>	<u>Apr 23</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>
Ordinary Income/Expense								
Income								
Operating Revenues	41,014	41,314	-300	99%	39,971	41,314	-1,343	97%
Total Income	41,014	41,314	-300	99%	39,971	41,314	-1,343	97%
Gross Profit	41,014	41,314	-300	99%	39,971	41,314	-1,343	97%
Expense								
Operating Expenses	1,085	1,166	-81	93%	798	1,117	-319	71%
Water Treatment	610	802	-192	76%	160	3,312	-3,152	5%
Repairs and Maintenance	745	1,478	-733	50%	824	1,478	-654	56%
Transmission & Distribution	27,731	26,990	741	103%	26,228	26,989	-761	97%
Depreciation	5,850	5,850	0	100%	5,850	5,850	0	100%
General & Administrative	9,919	5,892	4,027	168%	4,554	3,591	963	127%
Total Expense	45,940	42,178	3,762	109%	38,414	42,337	-3,923	91%
Net Ordinary Income	-4,926	-864	-4,062	570%	1,557	-1,023	2,580	-152%
Other Income/Expense								
Other Income								
Treatment Plant Project Charge	7,639	7,687	-48	99%	7,639	7,687	-48	99%
Viejas Grade Project Charge	1,581	1,592	-11	99%	1,581	1,591	-10	99%
Supp Debt Charge	4,505	4,533	-28	99%	4,505	4,533	-28	99%
Interest Income	236	15	221	1,573%	382	15	367	2,547%
Total Other Income	13,961	13,827	134	101%	14,107	13,826	281	102%
Other Expense								
Interest Expense	4,584	4,584	0	100%	4,522	4,550	-28	99%
Total Other Expense	4,584	4,584	0	100%	4,522	4,550	-28	99%
Net Other Income	9,377	9,243	134	101%	9,585	9,276	309	103%
Net Income	<u>4,451</u>	<u>8,379</u>	<u>-3,928</u>	<u>53%</u>	<u>11,142</u>	<u>8,253</u>	<u>2,889</u>	<u>135%</u>

Descanso Community Water District
Statement of Revenues, Expenses, & Change in Net Position
 July 2022 through June 2023

	<u>May 23</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>	<u>Jun 23</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>
Ordinary Income/Expense								
Income								
Operating Revenues	42,222	43,953	-1,731	96%	41,736	43,950	-2,214	95%
Total Income	42,222	43,953	-1,731	96%	41,736	43,950	-2,214	95%
Gross Profit	42,222	43,953	-1,731	96%	41,736	43,950	-2,214	95%
Expense								
Operating Expenses	1,076	1,203	-127	89%	1,785	1,497	288	119%
Water Treatment	385	770	-385	50%	360	3,604	-3,244	10%
Repairs and Maintenance	862	1,478	-616	58%	969	1,478	-509	66%
Transmission & Distribution	26,226	26,989	-763	97%	26,228	26,989	-761	97%
Depreciation	5,850	5,850	0	100%	0	5,850	-5,850	0%
General & Administrative	4,601	3,592	1,009	128%	4,976	10,042	-5,066	50%
Total Expense	39,000	39,882	-882	98%	34,318	49,460	-15,142	69%
Net Ordinary Income	3,222	4,071	-849	79%	7,418	-5,510	12,928	-135%
Other Income/Expense								
Other Income								
Treatment Plant Project Charge	7,639	7,687	-48	99%	7,615	7,688	-73	99%
Viejas Grade Project Charge	1,581	1,591	-10	99%	1,576	1,592	-16	99%
Supp Debt Charge	4,505	4,533	-28	99%	4,490	4,533	-43	99%
Interest Income	899	15	884	5,993%	1,145	15	1,130	7,633%
Total Other Income	14,624	13,826	798	106%	14,826	13,828	998	107%
Other Expense								
Interest Expense	4,102	4,550	-448	90%	0	4,550	-4,550	0%
Total Other Expense	4,102	4,550	-448	90%	0	4,550	-4,550	0%
Net Other Income	10,522	9,276	1,246	113%	14,826	9,278	5,548	160%
Net Income	<u>13,744</u>	<u>13,347</u>	<u>397</u>	<u>103%</u>	<u>22,244</u>	<u>3,768</u>	<u>18,476</u>	<u>590%</u>

Descanso Community Water District
Statement of Revenues, Expenses, & Change in Net Position
 July 2022 through June 2023

	TOTAL			
	Jul '22 - Jun 23	Budget	\$ Over Budget	% of Budget
Ordinary Income/Expense				
Income				
Operating Revenues	504,156	520,460	-16,304	97%
Total Income	<u>504,156</u>	<u>520,460</u>	<u>-16,304</u>	<u>97%</u>
Gross Profit	504,156	520,460	-16,304	97%
Expense				
Operating Expenses	18,807	15,550	3,257	121%
Water Treatment	43,418	25,070	18,348	173%
Repairs and Maintenance	53,039	17,703	35,336	300%
Transmission & Distribution	316,753	323,873	-7,120	98%
Depreciation	64,434	70,284	-5,850	92%
General & Administrative	59,168	53,703	5,465	110%
Total Expense	<u>555,619</u>	<u>506,183</u>	<u>49,436</u>	<u>110%</u>
Net Ordinary Income	-51,463	14,277	-65,740	-360%
Other Income/Expense				
Other Income				
Treatment Plant Project Charge	91,740	92,247	-507	99%
Viejas Grade Project Charge	18,987	19,096	-109	99%
Supp Debt Charge	54,101	54,397	-296	99%
Interest Income	3,902	180	3,722	2,168%
Total Other Income	<u>168,730</u>	<u>165,920</u>	<u>2,810</u>	<u>102%</u>
Other Expense				
Interest Expense	43,658	55,080	-11,422	79%
Total Other Expense	<u>43,658</u>	<u>55,080</u>	<u>-11,422</u>	<u>79%</u>
Net Other Income	<u>125,072</u>	<u>110,840</u>	<u>14,232</u>	<u>113%</u>
Net Income	<u><u>73,609</u></u>	<u><u>125,117</u></u>	<u><u>-51,508</u></u>	<u><u>59%</u></u>

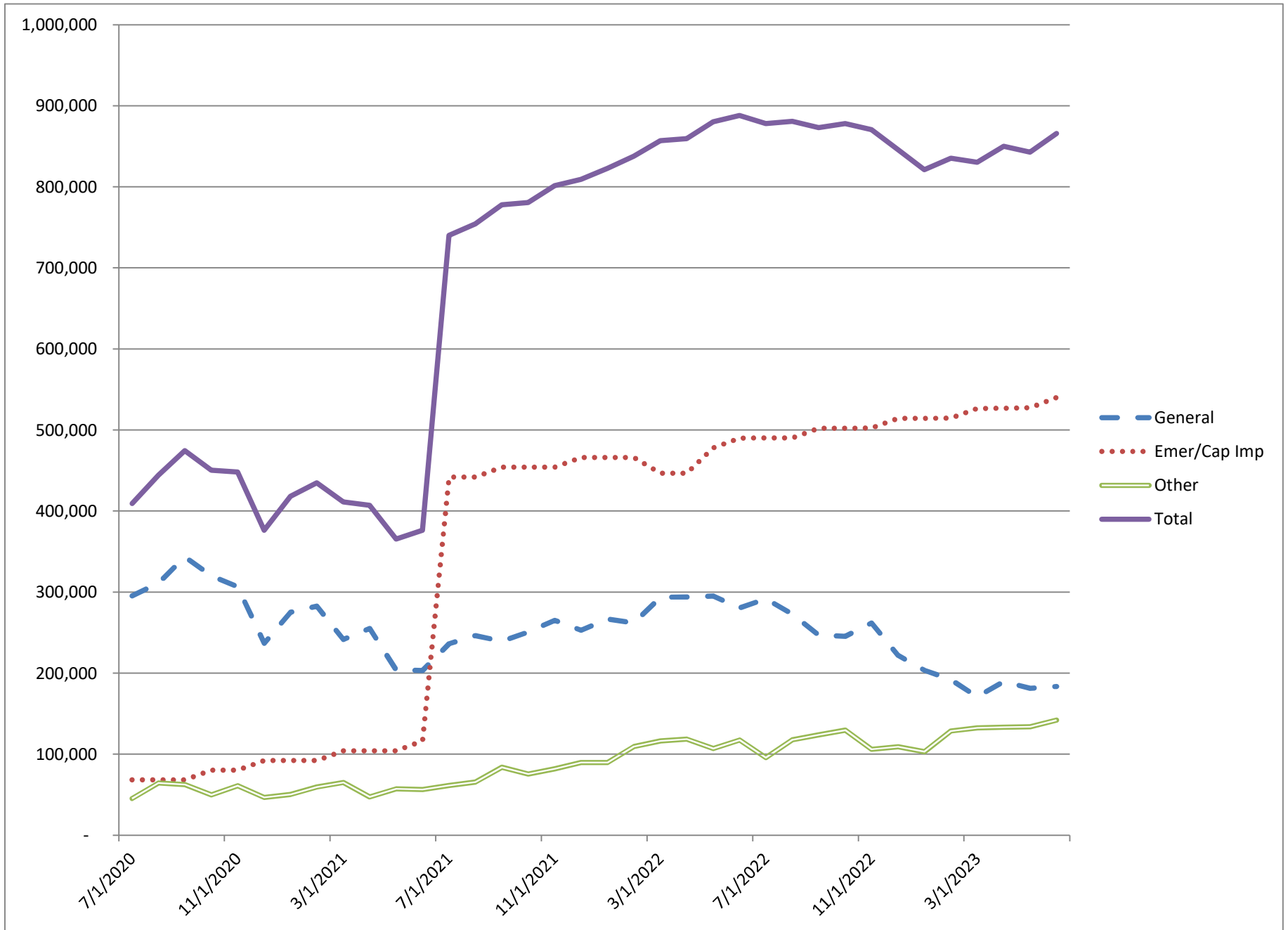
Descanso Community Water District
Statement of Cash Flows
April through June 2023

	Apr - Jun 23
OPERATING ACTIVITIES	
Net Income	47,133
Adjustments to reconcile Net Income to net cash provided by operations:	
Customer Accounts Receivable:Customer Accounts Receivable	-5,108
Customer Accounts Receivable:Customer Accounts Receivable:Customer Prepayments	-1,289
Allowance for Doubtful Accounts	-4,691
Materials and Supplies:Plant Material	557
Prepayments:G&A	89
Prepayments:Taxes/Fees	270
Accts Pay - General	7,702
Accts Pay - Accrued	692
Interest Accrued:Int Accr-LTD-Outside	-145
Net cash provided by Operating Activities	45,208
INVESTING ACTIVITIES	
Accumulated Depreciation:Utility Plant-Acc Depr	11,699
Uncapitalized Fixed Assets -WIP	-414
Uncapitalized Fixed Assets -WIP:Well #5-Fe/Mn Plant:Task 08 (\$232209)	-6,546
Uncapitalized Fixed Assets -WIP:Well #6-Fe/Mn Plant:Task 08 (\$232209)	-6,546
Net cash provided by Investing Activities	-1,805
FINANCING ACTIVITIES	
Current Portion of LTD:Loan Payable - Union Bank of Ca	400
Long-Term Debt:Loan Payable - UBOC 4/2038	-9,000
Long-Term Debt:Loan Costs USDA Series 2021	-366
Net cash provided by Financing Activities	-8,966
Net cash increase for period	34,436
Cash at beginning of period	831,461
Cash at end of period	865,897

Descanso Community Water District
Statement of Cash Flows
 July 2022 through June 2023

	Jul '22 - Jun 23
OPERATING ACTIVITIES	
Net Income	73,609
Adjustments to reconcile Net Income to net cash provided by operations:	
Customer Accounts Receivable:Customer Accounts Receivable	-50,196
Customer Accounts Receivable:Customer Accounts Receivable:Customer Prepayments	973
Allowance for Doubtful Accounts	-2,891
Security Deposits:Office 28857B Old Hwy 80	-2,100
Materials and Supplies:Plant Material	557
Prepayments:G&A	-17
Prepayments:Taxes/Fees	-10
Accts Pay - General	-10,096
Accts Pay - Accrued	692
Interest Accrued:Int Accr-LTD-Outside	-5,034
Current Portion of LTD:USDA Series 2021A Short Term	1,000
Current Portion of LTD:USDA Series 2021B Short Term	1,000
	7,486
Net cash provided by Operating Activities	7,486
INVESTING ACTIVITIES	
Accumulated Depreciation:Utility Plant-Acc Depr	64,431
Uncapitalized Fixed Assets -WIP	-1,655
Uncapitalized Fixed Assets -WIP:Well #5-Fe/Mn Plant:Task 08 (\$232209)	-20,207
Uncapitalized Fixed Assets -WIP:Well #6-Fe/Mn Plant:Task 08 (\$232209)	-20,208
	22,361
Net cash provided by Investing Activities	22,361
FINANCING ACTIVITIES	
Current Portion of LTD:Loan Payable - Union Bank of Ca	800
Current Portion of LTD:Loan Payable - SD County	138
Long-Term Debt:Loan Payable - UBOC 4/2038	-17,800
Long-Term Debt:Loan Payable-SD County 1/2041	-4,323
Long-Term Debt:USDA Series 2021A Long Term	-24,000
Long-Term Debt:USDA Series 2021B Long Term	-7,000
	-52,185
Net cash provided by Financing Activities	-52,185
Net cash increase for period	-22,337
Cash at beginning of period	888,234
Cash at end of period	865,897

DCWD Cash Flow Balances



Unaudited - No assurance is provided on these financial statements

Item 7

DCWD FINANCIAL AUDIT OF 2021-22:

The District’s Auditor or his representative will present the results of the 2022-23 Financial Audit and the Board will take appropriate action.

Notes:

DESCANSO COMMUNITY WATER DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

**DESCANSO COMMUNITY WATER DISTRICT
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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Descanso Community Water District
Descanso, California**

Opinion

We have audited the accompanying financial statements of the business-type activities of the Descanso Community Water District (the District), as of and for the year ended June 30, 2022 and June 30, 2021, and the related notes to the financial statements, which collectively comprise the District'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 the Descanso Community Water District, as of June 30, 2022 and June 30, 2021, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United State 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 the District, including the Board of Directors, 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 opinion.

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. Management is also responsible 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 the District'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.

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 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, 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 the 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 the 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 1, 2023 on our consideration of the 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 compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 the District's internal control over financial reporting and compliance.

William Hadley King & Co., LLP

El Cajon, CA
August 1, 2023

**DESCANSO COMMUNITY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2022 AND 2021**

This section of the District's financial report presents our analysis of the District's financial performance during the year ended June 30, 2022 and 2021. Please read in conjunction with the financial statements, which follow this section.

***FINANCIAL
HIGHLIGHTS***

- The District's net position increased by \$513,889 or 33% percent.
- The District's operating income was \$567,096. This is a \$369,640 increase compared to June 30, 2021.
- The District's long-term debt increased by \$1,880,749. The District maintains \$37,026 in cash reserves as required by bond debt covenant requirements.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the District's financial statements. The District's basic financial statements reflect the combined results of the Operating and Capital Programs and include four components: 1) Statement of Net Position; 2) Statement of Revenues, Expenses, and Changes in Net Position; 3) Statements of Cash Flows; and 4) Notes to the Financial Statements.

The financial statements accompanying this MD&A present the financial position, results of operations, and changes in cash flow during the fiscal year ending June 30, 2022 and 2021. These financial statements have been prepared using the accrual basis of accounting, which is similar to the accounting basis used by for-profit entities. Each financial statement is identified and defined in this section, and analyzed in subsequent sections of this MD&A.

REQUIRED FINANCIAL STATEMENTS

Statement of Net Position

The Statement of Net Position presents information on the District's assets (investments in resources) and liabilities (obligations to creditors), with the difference between 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. However, other factors such as changes in economic conditions, population growth, zoning, and new or changed legislation or regulations also need to be considered when establishing financial position. Assets in excess of liabilities (net position) were \$2,082,410 and \$1,568,519 as of June 30, 2022 and 2021, respectively.

**DESCANSO COMMUNITY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEARS ENDED 2022 AND 2021
(Continued)**

REQUIRED FINANCIAL STATEMENTS

Statements of Revenues, Expenses, and Changes in Net Position

The Statements of Revenues, Expenses, and Changes in Net Position present information showing how the District's net position changed during the fiscal year. All of the year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the results of the District's operations for the year and can be used to determine if the District has successfully recovered all of its costs through user fees and other charges. Operating revenues and expenses are related to the District's core activity (providing water distribution services). Non-operating revenues and expenses are not directly related to the core activity of the District (e.g. interest income, interest expense, gain or loss on sale of assets). For the fiscal year ended June 30, 2022 net position increased \$513,889.

Statement of Cash Flows

The Statement of Cash Flows presents information regarding the District's use of cash during the year. It reports cash receipts, cash payments, and net changes in cash resulting from operations, financing and investing activities. The Statement of Cash Flows provides answers to such questions as; Where did cash come from? What was cash used for? And what was the change in the cash balance during the reporting period?

District cash flow for the year has been categorized into one of the following activities: operating, noncapital financing, capital and related financing, or investing. The total of these categories represents an increase in cash and cash equivalents of \$512,028.

**DESCANSO COMMUNITY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2022 AND 2021
(Continued)**

FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION

Condensed Statement of Net Assets

	2022	2021	Change (\$)	Change (%)
ASSETS				
Current Assets	\$ 1,493,720	\$ 578,230	\$ 915,490	158%
Non-current Assets	3,067,124	3,121,246	(54,122)	-2%
TOTAL ASSETS	4,560,844	3,699,476	861,368	23%
LIABILITIES				
Long-term Obligations Outstanding	2,353,232	502,417	1,850,815	368%
Other Liabilities	125,202	1,628,540	(1,503,338)	-92%
TOTAL LIABILITIES	2,478,434	2,130,957	347,477	16%
NET POSITION				
Net Investment in Capital Assets	663,707	1,106,578	(442,871)	-40%
Restricted	456,379	36,991	419,388	1134%
Unrestricted	962,324	424,948	537,372	126%
TOTAL NET POSITION	\$ 2,082,410	\$ 1,568,517	\$ 513,889	33%

As a result of operating and non-operating activities, the District's overall net position increased by \$513,889.

**DESCANSO COMMUNITY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2022 AND 2021
(Continued)**

FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION (continued)

Condensed Statements of Revenues, Expenses, and Changes in Net Position

	2022	2021	Change (\$)	Change (%)
REVENUES				
Operating Revenues	\$ 1,061,812	\$ 682,604	\$ 379,208	56%
Non-operating Revenues	192	148	44	30%
TOTAL REVENUES	1,062,004	682,752	379,252	56%
EXPENSES				
Depreciation	70,965	42,639	28,326	66%
Other Operating Expenses	423,751	441,509	(17,758)	-4%
Non-Operating Expenses	53,399	51,967	1,432	3%
TOTAL EXPENSES	548,115	536,115	12,000	2%
CHANGE IN NET POSITION	513,889	146,637	367,252	250%
BEGINNING NET POSITION	1,568,521	1,421,884	146,637	10%
ENDING NET POSITION	\$ 2,082,410	\$ 1,568,521	\$ 513,889	33%

While the Statement of Net Position shows the change in financial position of net assets, the Statement of Revenues, Expenses and Changes in Net Position, provides answers to the nature and source of these changes. A new grant in the amount of \$380,772 was the main source of the change in ending net position of \$513,889 in fiscal 2022.

Non-operating revenue in 2022 includes \$192 in interest income, while in 2021 non-operating revenue includes \$148 in interest income.

**DESCANSO COMMUNITY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2022 AND 2021
(Continued)**

FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION (continued)

CAPITAL ASSETS AND LONG-TERM OBLIGATIONS

	2022	2021	Change (\$)	Change (%)
CAPITAL ASSETS				
Land	\$ 152,779	\$ 152,779	\$ 0	0%
Wells	135,345	135,345	-	0%
Distribution Systems	2,512,404	1,374,234	1,138,170	83%
Equipment	22,873	22,878	(5)	0%
Water Tanks	294,879	294,879	-	0%
Work in Progress	892,413	2,016,736	(1,124,323)	-56%
Total	4,010,693	3,996,851	13,842	0%
Less: Accumulated Depreciation	(943,570)	(872,605)	11,527	-1%
NET CAPITAL ASSETS	\$ 3,067,123	\$ 3,124,246	\$ (57,123)	-2%

Net capital assets decreased by \$(57,123) from the prior year, contributing towards the ending balance of \$3,067,123. This decrease consisted of current year asset additions, less current year depreciation expense, and less disposition of some assets. The majority of the decrease resulted from depreciation expense on assets that were transferred from work in progress to distribution systems.

**DESCANSO COMMUNITY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020
(Continued)**

CAPITAL ASSETS AND LONG-TERM OBLIGATIONS (continued)

Long-Term Obligations

	<u>2022</u>	<u>2021</u>	<u>Change (\$)</u>	<u>Change (%)</u>
County of San Diego	108,181	112,232	(4,051)	-4%
Rural Development Agency	394,236	410,436	(16,200)	-4%
USDA Series 2021A	1,492,000	-	1,492,000	-
USDA Series 2021B	409,000	-	409,000	-
Total Long Term Obligations	<u>\$ 2,403,417</u>	<u>\$ 522,668</u>	<u>\$ 1,880,749</u>	

Total long-term obligations increased by \$1,880,749 during the year ended June 30, 2022 as a result of obtaining permanent finance for construction projects.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our Board of Directors, citizens, customers, ratepayers, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives and the stewardship of the facilities it owns and operates. If you have questions about this report or need additional information, please contact the General Manager, Descanso Community Water District, P.O. Box 610, Descanso, CA 91916.

**DESCANSO COMMUNITY WATER DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2022 AND 2021**

	For the Year Ended June 30,	
	2022	2021
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and cash equivalents, unrestricted	\$ 851,208	\$ 339,215
Cash and cash equivalents, restricted	37,026	36,991
Accounts receivable, net	214,690	170,443
Inventory	29,788	29,588
Prepaid expenses	398	383
Security deposit	1,610	1,610
Loan receivable	359,000	-
TOTAL CURRENT ASSETS	1,493,720	578,230
NON-CURRENT ASSETS		
Plant and equipment, net	3,067,124	3,121,246
TOTAL NON-CURRENT ASSETS	3,067,124	3,121,246
TOTAL ASSETS	\$ 4,560,844	\$ 3,699,476
DEFERRED OUTFLOWS OF RESOURCES	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 4,560,844	\$ 3,699,476
LIABILITIES AND DEFERRED INFLOWS OR RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 51,917	\$ 109,563
Accrued expenses	23,100	6,726
Current portion of long-term debt	50,185	20,251
Bridge loan	-	1,492,000
TOTAL CURRENT LIABILITIES	125,202	1,628,540
NON-CURRENT LIABILITIES		
Long-term debt, net of current portion	2,353,232	502,417
TOTAL LIABILITIES	2,478,434	2,130,957
DEFERRED INFLOWS OF RESOURCES	-	-
NET POSITION		
Net investment in capital assets	663,707	1,106,578
Restricted for debt services	456,379	36,991
Unrestricted net assets	962,324	424,950
TOTAL NET POSITION	2,082,410	1,568,519
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 4,560,844	\$ 3,699,476

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

**DESCANSO COMMUNITY WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 30, 2022 AND 2021**

	For the Year Ended June 30,	
	2022	2021
OPERATING REVENUES		
Water sales	\$ 68,609	\$ 75,987
Water availability sales	437,414	437,780
Supplemental debt fees	53,997	54,011
Grant funds	380,771	-
Other operating revenues	121,021	114,826
TOTAL OPERATING REVENUES	1,061,812	682,604
 TOTAL REVENUE AND SUPPORT	 \$ 1,061,812	 # \$ 682,604
 OPERATING EXPENSES		
Transmission and distribution	\$ 308,543	\$ 302,457
Pumping	14,960	14,360
Repairs and maintenance	13,928	53,495
Water treatment	17,295	15,722
General and administrative	69,025	55,475
Depreciation	70,965	42,639
TOTAL OPERATING EXPENSES	\$ 494,716	\$ 484,148
 OPERATING INCOME	 567,096	198,456
 NON-OPERATING REVENUES (EXPENSES)		
Interest income	\$ 192	\$ 148
Interest expense	(53,399)	(51,967)
TOTAL NON-OPERATING REVENUES (EXPENSES)	\$ (53,207)	\$ (51,819)
 INCREASE (DECREASE) IN NET POSITION	 513,889	146,637
 NET POSITION, BEGINNING OF YEAR	 1,568,521	1,421,884
 NET ASSETS, END OF YEAR	 \$ 2,082,410	\$ 1,568,521

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

**DESCANSO COMMUNITY WATER DISTRICT
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2022 AND 2021**

	For the Year Ended June 30,	
	2022	2021
Cash Flows from Operating Activities		
Receipts from federal, state, and local contracts	\$ 1,017,758	\$ 651,112
Payments to vendors	(465,238)	(651,681)
Interest paid	(53,399)	(51,967)
Net cash used for operating activities	499,121	(52,536)
Cash Flows from Investing Activities		
Purchases of property and equipment (net)	(16,842)	(1,055,532)
Net cash used for investing activities	(16,842)	(1,055,532)
Cash Flows from Financing Activities		
Principal payments on debt	(20,251)	(19,321)
Cash received - certificates of participation	1,542,000	-
Bridge loan/line of credit payoff	(1,492,000)	895,052
Net cash provided by financing activities	29,749	875,731
Net Change in Cash and Cash Equivalents	512,028	(232,337)
Cash and Cash Equivalents - Beginning of Year	376,206	608,543
Cash and Cash Equivalents - End of Year	\$ 888,234	\$ 376,206
Reconciliation of Change in Net Position to Net Cash from Operating Activities		
Change in Net Position	\$ 513,889	\$ 146,637
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	70,965	42,639
Changes in operating assets and liabilities:		
Accounts receivable	(44,247)	(31,482)
Inventory	(200)	(105)
Prepaid expenses	(15)	(51)
Security deposits	-	-
Other assets	-	-
Accounts payable	(57,646)	(209,927)
Accrued expenses	16,374	(247)
Net Cash Used for Operating Activities	\$ 499,120	\$ (52,536)

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

**DESCANSO COMMUNITY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2022 AND 2021**

A. Organization and Operation:

The Descanso Community Water District (the District) is a community water district organized under the provisions of the California Government Code, Section 61000 et. seq., the Community Services District Law. The District was formed in 1983 for the purpose of acquiring the Descanso Park Water Company and its operations in Descanso, California. The District provides its services through approximately 310 water connections.

B. Summary of Significant Accounting Policies:

Basis of Presentation and Accounting

The District's basic financial statements are presented on the full accrual basis of accounting and conform to accounting principles generally accepted in the United States of America. The District has elected under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board, or any Accounting Research Bulletins issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements.

The accounts of the District are organized on the basis of a proprietary fund type, specifically an enterprise fund. The activities of the fund are accounted for with a set of self-balancing accounts that comprise the District's assets, liabilities, net position, revenues, and expenses.

Enterprise funds account for activities that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or that are required by laws and regulations that the activity's costs of providing services, including capital costs, be recovered with fees and charges, rather than with taxes or similar revenues; or that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs.

The accounting and financial reporting treatment applied to the District is determined by its measurement focus. The transactions of the District are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statement of net assets.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the 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.

**DESCANSO COMMUNITY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2022 AND 2021
(Continued)**

Inventory

Inventory is stated at lower of cost or market using the first-in, first-out method and consists of expendable supplies held for consumption.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the District considers all highly liquid debt or equity investments purchased with an original maturity of three months or less to be cash equivalents.

Utility Plant

Utility plant assets owned directly by the District are stated at historical cost. The District defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Cost includes direct labor, outside services, materials and transportation, and overhead. The cost and accumulated depreciation of property sold or retired is deducted from capital assets, and any profit or loss resulting from the disposal is credited or charged in the non-operating section of revenues, expenses and changes in net assets. The cost of current repairs, maintenance, and minor replacements is charged to expense. Depreciation is provided over the estimated useful lives of assets using the straight-line method.

Estimated useful lives are as follows:

Wells	10 to 38 years
Water tanks	10 to 40 years
Transmission facilities	3 to 40 years
Pump station	5 to 10 years
Machinery equipment	3 to 7 years
Water meters	15 years

Operating Revenues and Expenses

Operating revenues and expenses consist of those revenues that result from the ongoing principal operations of the District. Operating revenues consist primarily of charges for services. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from non-exchange transactions or ancillary activities. Significantly all of the District's operating revenues are derived from water sales to its customers.

Donated Property and Equipment

Donations of property and equipment are recorded as donations at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose.

**DESCANSO COMMUNITY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2022 AND 2021
(Continued)**

Deferred Inflows and Deferred Outflows of Resources

Deferred outflows of resources is a consumption of net assets or net position that is applicable to a future reporting period. Deferred inflows of resources is an acquisition of net assets or net position that is applicable to a future reporting period. Deferred outflows of resources and deferred inflows of resources are recorded in accordance with GASB Statement numbers 63 and 65.

Income Taxes

The District is a governmental organization exempt from state and federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Materials and Supplies

Material and supplies inventory consists principally of spare parts that are recorded when purchased and expensed when used and is recorded at weighted average cost.

C. Cash and Cash Equivalents:

Cash and cash equivalents held by the District is comprised of the following:

	June 30,	
	2022	2021
Unrestricted		
Cash	\$ 790,856	\$ 222,843
Cash-capital improvement fund	60,352	116,372
Total unrestricted cash	<u>851,208</u>	<u>339,215</u>
Restricted		
Cash with fiscal agent	37,026	36,991
Total restricted cash	<u>37,026</u>	<u>36,991</u>
Total cash	<u>\$ 888,234</u>	<u>\$ 376,206</u>

Restricted cash consists of Blackrock Institutional funds held by a fiscal agent at US Bank.

**DESCANSO COMMUNITY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED 2022 AND 2021
(Continued)**

Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District is restricted by the California Government Code to invest in local agency bonds, U.S. treasury and agency securities, bankers acceptances, commercial paper, negotiable certificates of deposits, and other authorized investments. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name. At year end, the District had \$600,475 on deposit with a single financial institution which exceeded the Federal Deposit Insurance Coverage amount.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

**DESCANSO COMMUNITY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED 2022 AND 2021
(Continued)**

D. Capital Assets:

Capital Assets are summarized as follows:

	June 30,	
	2022	2021
Land	\$ 152,779	\$ 152,779
Wells	135,345	135,345
Distribution system	2,512,404	1,371,234
Equipment	22,873	22,878
Water tank	294,879	294,879
Work in progress	892,413	2,016,736
Total capital assets	4,010,693	3,993,851
Less accumulated depreciation	(943,570)	(872,605)
Capital assets, net	<u>\$ 3,067,123</u>	<u>\$ 3,121,246</u>

E. Accounts Receivable:

The District grants credit to individuals and businesses, substantially all of whom are in the community of Descanso, California. The District performs ongoing credit evaluations of its customers and, generally, requires no collateral. Concentrations of credit risk with respect to accounts receivable are limited due to the number of individuals and businesses comprising the District's customer base. As of June 30, 2022 and 2021, the District had no significant concentrations of credit risk.

Accounts receivable as of June 30, 2022 and 2021 are considered collectible by management. The June 30, 2022 accounts receivable balance is \$217,871, net of an allowance for doubtful accounts of \$1,946.

F. Loan Receivable:

On July 27, 2021 the District obtained \$1,492,000 Certificates of Participation from the Rural Utilities Service. These Certificates of Participation bear interest at a rate of 1.75% and mature on July 1, 2061. Semi Annual payments are due on January 1 and July 1 of each year. This financing was used to pay off a bridge loan the District had previously obtained.

In addition, on July 27, 2021, the District obtained Certificates of Participation for the Rural Utilities Service in the amount of \$409,000. This financial also has an interest rate of 1.75% and matures on July 1, 2061. Semi annual payments are due on January 1 and July 1 of each year. By June 30, 2022, the District had only drawn down \$50,000 of this loan. Because the District is liable for the entire \$409,000 a liability in that amount was recorded and a loan receivable in the amount of \$359,000 was recorded for the amount the District had not drawn down as of the year end.

**DESCANSO COMMUNITY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED 2022 AND 2021
(Continued)**

G. Accounts Payable:

The balance of accounts payable to vendors as of June 30, 2022 is as follows:

Vendors payable	\$ 51,917
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H. Accrued Expenses:

The balance of accrued expenses at June 30, 2022 is \$23,100 and is composed entirely of interest expense.

I. Long-Term Debt Obligations:

Long-term obligations include debt and other long-term liabilities. Changes in long term obligations for the year ended June 30, 2022 are as follows:

	Interest Rate	06/30/21	Additions	Payments	06/30/22	Due Within One Year
County of San Diego	3%	\$ 112,232	\$ -	\$ 4,051	\$ 108,181	\$ 4,185
Rural Development Agency	5%	410,436	-	16,200	394,236	17,000
USDA Series 2021A	1.75%	-	1,492,000	-	1,492,000	23,000
USDA Series 2021B	1.75%	-	409,000	-	409,000	6,000
Total		\$ 522,668	\$ 1,901,000	\$ 20,251	\$ 2,403,417	\$ 50,185

The changes in long term debt for the year ended June 30, 2021 are as follows:

	Interest Rate	06/30/20	Additions	Payments	06/30/21	Due Within One Year
County of San Diego	3%	\$ 116,153	\$ -	\$ 3,921	\$ 112,232	\$ 4,051
Rural Development Agency	5%	425,836	-	15,400	410,436	16,200
Total		\$ 541,989	\$ -	\$ 19,321	\$ 522,668	\$ 20,251

**DESCANSO COMMUNITY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED 2022 AND 2021
(Continued)**

Future principal and interest maturities are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 50,185	\$ 55,111	\$ 105,296
2024	53,123	53,631	106,754
2025	54,065	52,091	106,156
2026	56,013	50,500	106,513
2027	58,165	48,845	107,010
2028-2032	317,889	217,215	535,104
2033-2037	375,123	165,268	540,391
2038-2042	280,854	114,679	395,533
2043-2047	242,000	90,966	332,966
2048-2052	273,000	68,435	341,435
2053-2057	306,000	43,081	349,081
2058-2062	337,000	14,922	351,922
Total	<u>\$ 2,403,417</u>	<u>\$ 974,744</u>	<u>\$ 3,378,161</u>

J. Line of Credit and Bridge Loan:

In a prior year the District obtained an extension on a line of credit from COBANK and a bridge loan in the amount of \$1,492,000. The interest rate on this bridge loan was 2.09%. The District obtained permanent financing on July 27, 2021. The bridge loan and the line of credit were paid off at that time.

K. Commitment and Contingencies:

Litigation

The District is involved in various litigation. In the opinion of management and legal counsel, the disposition of all litigation pending will not have a material effect on the financial statements.

L. Subsequent Events:

In preparing these financial statements the District has evaluated events and transactions for potential recognition or disclosure between June 30, 2022 and the date the financial statements were issued.

**DESCANSO COMMUNITY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED 2022 AND 2021
(Continued)**

M. Upcoming Accounting Guidance:

The Governmental Accounting Standards Board (GASB) issues pronouncements and additional guidance for governmental agencies to establish consistent accounting across all governments in the United States. The following table represents items that have been issued by GASB that will become effective in future periods:

Description	Date Issued	Fiscal Year Effective
GASB Statement 91, Conduit Debt Obligations	05/2019	2022-23
GASB Statement 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements	03/2020	2022-23
GASB Statement 96, Subscription-Based Information Technology Arrangements	05/2020	2022-23
GASB Statement No. 99, Omnibus 2022	04/2022	2022-23 Thru 2023-24
GASB Statement No. 100, Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62	06/2022	2024-25
GASB Statement No. 101, Compensated Absences	06/2022	2024-25
GASB Implementation Guide No. 2021-1 – Implementation Guidance Update - 2021	05/2021	2021-22 to 2024-25

The effects of the upcoming guidance and pronouncements on the District’s financial statements has not yet been determined.

**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
Descanso Community Water District
Descanso, 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 financial statements of Descanso Community Water District, as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise basic financial statements, and have issued our report thereon dated August 1, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Descanso Community Water District's internal control over financial reporting 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 Descanso Community Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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. 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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Descanso Community 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 entity’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.

William A. King & Co., LLP

El Cajon, California
August 1, 2023

**DESCANSO COMMUNITY WATER DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL 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? No

Reportable conditions identified not considered to be material weaknesses? No

Noncompliance material to financial statements noted? No

Federal Awards

Type of auditor’s report issued on compliance for Major programs: Not Applicable

Internal control over major programs:

Material weaknesses identified? Not Applicable

Reportable conditions identified not considered to be material weaknesses? Not Applicable

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a) Not Applicable

Identification of major programs:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
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Not Applicable	Not Applicable
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Dollar threshold to distinguish between Type A and Type B programs: Not Applicable

Auditee qualified as a low-risk auditee? Not Applicable

Section II - Financial Statement Findings

No matters reported.

Section III - Federal Award Findings and Questioned Costs

Not applicable

**DESCANSO COMMUNITY WATER DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

There were no reportable findings and/or questioned costs for the year ended June 30, 2021.

Item 8

RFP/RFQ FOR 2022-2023 DCWD FINANCIAL AUDIT SERVICES:

The Board will review proposal submitted by Nigro and Nigro for the proposed RFP/RFQ for 2022-23 Financial Audit Services and beyond and take appropriate action.

Notes:



September 20, 2023

Board of Directors
Descanso Community Water District
24680 Viejas Grande Rd, Suite A610
Descanso, CA 91916

We are pleased to confirm our understanding of the services we are to provide Descanso Community Water District (District) as of and for the year ended June 30, 2023.

Audit Scope and Objectives

We will audit the governmental activities and each major fund of the District, as of June 30, 2023 and for the year then ended and the related notes, which collectively comprise the District's basic financial statements as listed in the table of contents of the financial statements.

The objectives of our audit 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 auditing standards generally accepted in the United States of America (GAAS) and, if applicable, in accordance with *Government Auditing Standards*, and/or any state or regulatory audit requirements will always detect a material misstatement when it exists.

Misstatements, including omissions, can arise from fraud or error and 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.

Accounting principles generally accepted in the United States of America, (U.S. GAAP,) as promulgated by the Governmental Accounting Standards Board (GASB) require that certain required supplementary information (RSI) such as management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, 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.

As part of our engagement, we will apply certain limited procedures to the required supplementary information (RSI) in accordance with auditing standards generally accepted in the United States of America, (U.S. GAAS). These limited procedures will consist primarily of inquiries of management regarding their methods of measurement and presentation, and comparing the information for consistency with management's responses to our inquiries. We will not express an opinion or provide any form of assurance on the RSI. The following RSI is required by U.S. GAAP. This RSI will be subjected to certain limited procedures but will not be audited:

1. Management's Discussion and Analysis

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The report on internal control and on compliance and other matters will include a paragraph that states (1) that the purpose of the report is solely to describe the scope of testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control on compliance, and (2) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. The paragraph will also state that the report is not suitable for any other purpose. If during our audit we become aware that the District is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with U.S. generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory, or contractual requirements.

Auditor Responsibilities

We will conduct our audit in accordance with GAAS and in accordance with *Government Auditing Standards*. As part of an audit in accordance with GAAS and in accordance with *Government Auditing Standards*, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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.
2. 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 the District's internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit.
3. 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, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
4. Conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with GAAS and in accordance with *Government Auditing Standards*.

Our responsibility as auditors is limited to the period covered by our audit and does not extend to any other periods.

Compliance with Laws and Regulations

As previously discussed, as part of obtaining reasonable assurance about whether the basic financial statements are free of material misstatement, we will perform tests of the District's compliance with the provisions of applicable laws, regulations, contracts, and agreements. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion.

Management Responsibilities

Our audit will be conducted on the basis that management acknowledge and understand that they have responsibility:

- a) For the preparation and fair presentation of the basic financial statements in accordance with accounting principles generally accepted in the United States of America;
- b) For the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of basic financial statements that are free from material misstatement, whether due to error, fraudulent financial reporting, misappropriation of assets, or violations of laws, governmental regulations, grant agreements, or contractual agreements; and
- c) To provide us with:
 - i. Access to all information of which management is aware that is relevant to the preparation and fair presentation of the basic financial statements such as records, documentation, and other matters;
 - ii. Additional information that we may request from management for the purpose of the audit;
 - iii. Unrestricted access to persons within the District from whom we determine it necessary to obtain audit evidence.
 - iv. A written acknowledgement of all the documents that management expects to issue that will be included in the annual report and the planned timing and method of issuance of that annual report; and
 - v. A final version of the annual report (including all the documents that, together, comprise the annual report) in a timely manner prior to the date of the auditor's report.
- d) For including the auditor's report in any document containing basic financial statements that indicates that such basic financial statements have been audited by us;
- e) For identifying and ensuring that the District complies with the laws and regulations applicable to its activities;
- f) For adjusting the basic financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the current year period(s) under audit are immaterial, both individually and in the aggregate, to the basic financial statements as a whole; and
- g) For acceptance of nonattest services, including identifying the proper party to oversee nonattest work;
- h) For maintaining adequate records, selecting and applying accounting principles, and safeguarding assets;
- i) For informing us of any known or suspected fraud affecting the District involving management, employees with significant role in internal control and others where fraud could have a material effect on the financials; and
- j) For the accuracy and completeness of all information provided.

With regard to the supplementary information referred to above, you acknowledge and understand your responsibility:

- a) for the preparation of the supplementary information in accordance with the applicable criteria;
- b) to provide us with the appropriate written representations regarding supplementary information;
- c) to include our report on the supplementary information in any document that contains the supplementary information and that indicates that we have reported on such supplementary information; and
- d) to present the supplementary information with the audited basic financial statements, or if the supplementary information will not be presented with the audited basic financial statements, to make the audited basic financial statements readily available to the intended users of the supplementary information no later than the date of issuance by you of the supplementary information and our report thereon.

As part of our audit process, we will request from management, written confirmation concerning representations made to us in connection with the audit.

Nonattest Services

With respect to any nonattest services we perform,

At the end of the year, we agree to perform the following:

- a) Propose adjusting or correcting journal entries detected during the audit, if applicable, to be reviewed and approved by the District's management.
- b) Word process the financial statements using information provided by management.

We will not assume management responsibilities on behalf of the District. However, we will provide advice and recommendations to assist management of the District in performing its responsibilities.

The District's management is responsible for:

- a) making all management decisions and performing all management functions;
- b) assigning a competent individual to oversee the services;
- c) evaluating the adequacy of the services performed;
- d) evaluating and accepting responsibility for the results of the services performed; and
- e) establishing and maintaining internal controls, including monitoring ongoing activities.

Our responsibilities and limitations of the nonattest services are as follows:

- a) We will perform the services in accordance with applicable professional standards
- b) The nonattest services are limited to the services previously outlined. Our firm, in its sole professional judgment, reserves the right to refuse to do any procedure or take any action that could be construed as making management decisions or assuming management responsibilities, including determining account coding and approving journal entries. Our firm will advise the District with regard to tax positions taken in the preparation of the tax return, but the District must make all decisions with regard to those matters.

Reporting

We will issue a written report upon completion of our audit of the District's basic financial statements. Our report will be addressed to the Board of Directors of the District. Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinions, add an emphasis-of-matter or other-matter paragraph(s) to our auditor's report, or if necessary, withdraw from the engagement. If our opinions on the basic financial statements are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement.

In accordance with the requirements of Government Auditing Standards, we will also issue a written report describing the scope of our testing over internal control over financial reporting and over compliance with laws, regulations, and provisions of grants and contracts, including the results of that testing. However, providing an opinion on internal control and compliance will not be an objective of the audit and, therefore, no such opinion will be expressed.

Preparation of State Controller Report **Our Responsibilities**

The objective of our engagement is to prepare the annual Financial Transactions Report (FTR) in accordance with the California State Controller's Office Instructions based on information provided by you. We will conduct our engagement in accordance with Statements on Standards for Accounting and Review Services (SSARSs) promulgated by the Accounting and Review Services Committee of the AICPA and comply with the AICPA's Code of Professional Conduct, including the ethical principles of integrity, objectivity, professional competence, and due care.

We are not required to, and will not, verify the accuracy or completeness of the information you will provide to us for the engagement or otherwise gather evidence for the purpose of expressing an opinion or a conclusion. Accordingly, we will not express an opinion or a conclusion or provide any assurance on the FTR.

Our engagement cannot be relied upon to identify or disclose any FTR misstatements, including those caused by fraud or error, or to identify or disclose any wrongdoing within the District or noncompliance with laws and regulations.

Management Responsibilities

The engagement to be performed is conducted on the basis that management acknowledges and understands that our role is to prepare the FTR in accordance with the State Controller's Office Instructions. Management has the following overall responsibilities that are fundamental to our undertaking the engagement to prepare your FTR in accordance with SSARs:

- a) The selection of accounting principles generally accepted in the United States of America as the financial reporting framework to be applied in the preparation of the financial statements
- b) 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
- c) The prevention and detection of fraud
- d) To ensure that the District complies with the laws and regulations applicable to its activities
- e) The accuracy and completeness of the records, documents, explanations, and other information, including significant judgments, you provide to us for the engagement to prepare financial statements
- f) To provide us with:
 - i. Documentation, and other related information that is relevant to the preparation and presentation of the financial statements,
 - ii. Additional information that may be requested for the purpose of the preparation of the financial statements, and
 - iii. Unrestricted access to persons of whom we determine necessary to communicate.

As part of our engagement, we will issue a disclaimer that will state that the FTR were not subjected to an audit, review, or compilation engagement by us and, accordingly, we do not express an opinion, a conclusion, nor provide any assurance on them.

Scheduling

Scheduling of the Audit Final-Fieldwork Dates will be based on an agreeable timetable with the District. We ask that the District prepare a completed and finalized Trial Balance and General Ledger in Excel form as of the June 30, 2023 date with all Balance Sheet accounts properly reconciled in Excel or PDF form and uploaded into the Suralink Portal System by the date scheduled. Failure to complete all the above noted items by the date scheduled will result in a \$1,000 extra fee charge and postponement of the audit to a later date. A 30-day notice before the initial scheduled Audit Final-Fieldwork date is required to change the date and avoid the extra \$1,000 fee. However, if a December or January date is chosen for the re-scheduled Audit Final-Fieldwork date, the \$1,000 fee will still apply to cover Overtime costs incurred during those months and will only guarantee the audit will be completed by January 31, 2024.

Engagement Fees

Our fixed fees for the services previously outlined will be as follows:

Financial Statements and Auditor Reports	\$12,000
Preparation of the State Controller's Report	500
Total	\$12,500

If significant changes occur in the District's audit requirements with the implementation of new Governmental Accounting Standards Board (GASB) Standards, Government Auditing Standards or the Audit and Accounting Guide for State and Local Governments issued by the AICPA for attest and/or nonattest services, this may render additional services needed which may increase the above noted fixed fee.

Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if the District's account becomes 60 days or more overdue and may not be resumed until the District's account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. The District will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The above fee is based on anticipated cooperation from District personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with management and arrive at a new fee estimate before we incur the additional costs.

Additionally, our fees are dependent on the availability, quality, and completeness of the District's records and, where applicable, upon the District's personnel providing the level of assistance identified in the "prepared by client" request list distributed at the end of our planning work (e.g., District employees preparing confirmations and schedules we request, locating documents selected by us for testing, etc.).

We will schedule the engagement based in part on deadlines, working conditions, and the availability of District key personnel. We will plan the engagement based on the assumption that District personnel will cooperate and provide assistance by performing tasks such as preparing requested schedules, retrieving supporting documents, and preparing confirmations. If, for whatever reason, District personnel are unavailable to provide the necessary assistance in a timely manner, it may substantially increase the work we have to do to complete the engagement within the established deadlines, resulting in an increase in fees over our original fee estimate.

If circumstances occur related to the condition of District records, the availability of sufficient, appropriate audit evidence, or the existence of a significant risk of material misstatement of the financial statements caused by error, fraudulent financial reporting, or misappropriation of assets, which in our professional judgment prevent us from completing the audit or forming an opinion on the financial statements, we retain the right to take any course of action permitted by professional standards, including declining to express an opinion or issue a report, or withdrawing from the engagement.

Should our assumptions with respect to these matters be incorrect, or should the condition of the records, degree of cooperation, or other matters beyond our reasonable control require additional commitments by us beyond those upon which our estimated fees are based, we may adjust our fees and planned completion dates. If significant additional time is necessary, we will discuss it with management and arrive at a new fee estimate as soon as reasonably practicable.

Other Engagement Matters

During the course of the engagement, we may communicate with you or your personnel via fax or e-mail, and you should be aware that communication in those mediums contains a risk of misdirected or intercepted communications.

Government Auditing Standards require that we document an assessment of the skills, knowledge, and experience of management, should we participate in any form of preparation of the basic financial statements and related schedules or disclosures as these actions are deemed a non-audit service.

Paul J Kaymark, CPA is the engagement partner responsible for supervising the engagement and signing the report.

During the course of the audit we may observe opportunities for economy in, or improved controls over, your operations. We will bring such matters to the attention of the appropriate level of management, either orally or in writing.

You agree to inform us of facts that may affect the basic financial statements of which you may become aware during the period from the date of the auditor's report to the date the financial statements are issued.

We agree to retain our audit documentation or work papers for a period of at least seven years from the date of our report.

The audit documentation for this engagement is the property of Nigro & Nigro, PC and constitutes confidential information. However, we may be requested to make certain audit documentation available to regulatory agencies pursuant to authority given to it by law or regulation, or to peer reviewers. If requested, access to such audit documentation will be provided under the supervision of Nigro & Nigro, PC's personnel. Furthermore, upon request, we may provide copies of selected audit documentation to regulatory agencies. The regulatory agencies may intend, or decide, to distribute the copies of information contained therein to others, including other governmental agencies. We will notify the District of any such request.

Conflict Resolution

Should any litigation or adverse action (such as audits by outside governmental agencies and/or threatened litigation, etc.), by third parties arise against the District or the board of directors subsequent to this engagement, which results in the subpoena of documents from Nigro & Nigro, PC and/or requires additional assistance from us to provide information, depositions or testimony, the District hereby agrees to compensate Nigro & Nigro, PC (at our standard hourly rates) for additional time charges and other costs (copies, travel, etc.), and to indemnify us for any attorney's fees to represent Nigro & Nigro, PC.

If any dispute arises among the parties hereto, the parties agree to first try in good faith to settle the dispute by mediation administered by the American Arbitration Association under its applicable rules for resolving professional accounting and related services disputes before resorting to litigation. The costs of any mediation proceeding shall be shared equally by all parties.

The District and Nigro & Nigro, PC both agree that any dispute over fees charged by the auditor to the District will be submitted for resolution by arbitration in accordance with the applicable rules for resolving professional accounting and related services disputes of the American Arbitration Association, except that under all circumstances the arbitrator must follow the laws of California. Such arbitration shall be binding and final. **IN AGREEING TO ARBITRATION, WE BOTH ACKNOWLEDGE THAT IN THE EVENT OF A DISPUTE OVER FEES CHARGED BY THE ACCOUNTANT, EACH OF US IS GIVING UP THE RIGHT TO HAVE THE DISPUTE DECIDED IN A COURT OF LAW BEFORE A JUDGE OR JURY AND INSTEAD WE ARE ACCEPTING THE USE OF ARBITRATION FOR RESOLUTION.** The prevailing party shall be entitled to an award of reasonable attorneys' fees and costs incurred in connection with the arbitration of the dispute in an amount to be determined by the arbitrator.

Conclusion

At the conclusion of our audit engagement, we will communicate to the Board of Directors the following significant findings from the audit:

- a) Our view about the qualitative aspects of the District's significant accounting practices;
- b) Significant difficulties, if any, encountered during the audit;
- c) Uncorrected misstatements, other than those we believe are trivial, if any;
- d) Disagreements with management, if any;
- e) Other findings or issues, if any, arising from the audit that are, in our professional judgment, significant and relevant to those charged with governance regarding their oversight of the financial reporting process;
- f) Material, corrected misstatements that were brought to the attention of management as a result of our audit procedures;
- g) Representations we requested from management;
- h) Management's consultations with other accountants, if any; and
- i) Significant issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management.

Please sign and return the attached copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our audit of the basic financial statements including our respective responsibilities.

Enclosed, as required by *Government Auditing Standards*, is a copy of the report on the most recent peer review of our firm.

We appreciate the opportunity to provide these services and believe this letter accurately summarizes the significant terms of our engagement.

Very truly yours,

Nigro & Nigro, PC

The services and arrangements described in this letter are in accordance with our understanding and are acceptable to us.

Management signature: _____

Title: _____

Date: _____

Governance signature: _____

Title: _____

Date: _____

Item 9

AUDIT PROFESSIONAL SERVICES AGREEMENT:

The Board will review the Audit Professional Services Agreement and take appropriate action.

Notes:

**PROFESSIONAL SERVICES AGREEMENT
(Auditing Services)**

This Professional Services Agreement (“**Agreement**”) is made on this 20th day of September, 2023 (“**Effective Date**”) by and between DESCANSO COMMUNITY WATER DISTRICT (“**DESCANSO**”) and NIGRO AND NIGRO, PC (“**CONTRACTOR**”), an independent contractor, collectively referred to herein as “**parties**” or individually as “**party**,” to furnish certain services as provided in this Agreement and upon the following terms and conditions.

**ARTICLE 1
TERM OF AGREEMENT**

1.01 The term of this Agreement shall commence on September 20, 2023 and will continue in effect through completion of the Services described in Attachment A – Scope of Work (“**Attachment A**”) for the fiscal year ending June 30, 2025, with an option to extend 2 more years until June 30, 2027 and for , or until terminated as provided under Article 7, whichever occurs first. Attachment A sets forth further instructions regarding required timelines for Services performed under this Agreement. Time is of the essence for each and every provision of this Agreement.

**ARTICLE 2
SCOPE OF WORK**

Specific Services

2.01 CONTRACTOR shall perform the services within the scope described in Attachment A and as authorized by DESCANSO (the “**Services**”). CONTRACTOR will provide DESCANSO with periodic reports regarding the progress of Services performed, as described in Attachment A and at DESCANSO’s request. Any changes to the scope of work or timeframes identified in Attachment A must be authorized by DESCANSO in writing and shall be set forth as an amendment to this Agreement.

2.02 CONTRACTOR shall determine the method, details, and means of performing the above-described Services. CONTRACTOR shall supply all labor, tools, materials, and equipment required to perform the Services under this Agreement.

Standard of Performance

2.03 CONTRACTOR shall perform the Services required hereunder in accordance with the prevailing standard of care by exercising the skill and ability customarily exercised by reputable members of CONTRACTOR’s profession providing the same or similar services in the State of California. While exercising its professional skill and expertise, CONTRACTOR shall use reasonable diligence and best judgment, and shall perform the Services required hereunder in the best interests of DESCANSO. Acceptance by DESCANSO of reports, and incidental professional work or materials furnished hereunder, shall not in any way relieve CONTRACTOR of responsibility for the adequacy of its work.

Personnel

2.04 DESCANSO has a primary interest in maintaining the individual services of the following key project team members:

1. Paul Kaymark, CPA
2. Anabel Cruz, CPA

2.05 No member of the project team shall be removed from the project team or reassigned by CONTRACTOR without prior approval of DESCANSO. CONTRACTOR shall immediately inform DESCANSO, in writing, should any of the key members become unavailable. CONTRACTOR must submit the credentials for substitutes for key project members to DESCANSO for review and approval. At the discretion of DESCANSO, an interview may be required prior to approval of a substitute key project member.

ARTICLE 3 COMPENSATION

Compensation for Work Performed Under This Agreement

3.01 Compensation payable to CONTRACTOR for Services performed under this Agreement shall be on a time and materials basis, as described in Attachment A, not to exceed Twelve thousand five hundred Dollars (\$ 12,500) per fiscal year or Thirty seven thousand five hundred Dollars (\$37,500) in the aggregate, with fees for two optional fiscal years (2026 and 2027) accrued at the same rate. This amount shall not be exceeded unless agreed upon through an amendment to this Agreement executed by both parties. Such amendment shall identify any change in compensation as a result of the change in scope of work. The parties agree that this compensation was developed in accordance with the customary and prevailing compensation level in the community and surrounding area for comparable services. The parties agreed to this amount through an arm's length negotiation between the parties.

Payment of Expenses and Monthly Invoices

3.02 DESCANSO will reimburse CONTRACTOR for all reasonable expenses incurred in performing Services under this Agreement as the work progresses, provided that such reasonable expenses shall be included in and subject to the maximum compensation amount stated above in this Article. CONTRACTOR shall submit monthly invoices to DESCANSO, which shall include a brief narrative description of the work performed, as well as detailed time expenditures on a task-by-task basis pursuant to Attachment A. The term "expenses" means telephone bills, and federal express charges, mailing charges and any other pre-approved expenses by DESCANSO. CONTRACTOR will provide DESCANSO with receipts and proof of payment for all expenses. DESCANSO shall make payment to CONTRACTOR within forty-five (45) days of receipt of an approved invoice.

3.03 DESCANSO shall have the right to withhold payment from CONTRACTOR for any unsatisfactory Services until such time service is performed satisfactorily or as otherwise provided for in this Agreement.

ARTICLE 4 RELATIONSHIP OF PARTIES

Independent Contractor

4.01 It is expressly understood and agreed that CONTRACTOR is an independent contractor and its employees are not employees of DESCANSO while engaged in carrying out this Agreement. CONTRACTOR is free from the control and direction of DESCANSO in connection with the performance of the work,

CONTRACTOR performs work that is outside the usual course of DESCANSO business, and CONTRACTOR is customarily engaged in an independently established trade, occupation, or business of the same nature as that involved in the work performed. The parties agree that no work, act, commission, or omission of CONTRACTOR or its employee(s) pursuant to this Agreement shall be construed to make CONTRACTOR or its employee(s) the agent, employee, or servant of DESCANSO. CONTRACTOR and its employee(s) are not entitled to receive from DESCANSO vacation pay, sick leave, retirement benefits, Social Security, workers' compensation, disability benefits, unemployment benefits, or any other employee benefit of any kind. CONTRACTOR shall be solely responsible for paying all federal and state employment and income taxes, for carrying workers' compensation insurance, and for otherwise complying with all other employment law requirements with respect to CONTRACTOR and its employee(s).

4.02 To the maximum extent allowable by law, CONTRACTOR agrees to indemnify, defend and hold DESCANSO harmless from any and all liability, damages, or losses (including attorneys' fees, costs, penalties, and fines) that DESCANSO suffers as a result of (a) CONTRACTOR's failure to meet its obligations under this Article, or (b) a third party's designation of CONTRACTOR or its employee(s) as an employee of DESCANSO, regardless of any actual or alleged negligence by DESCANSO.

Non-Exclusive Relationship

4.03 The parties acknowledge that their relationship is non-exclusive and CONTRACTOR may perform or engage in any activity not inconsistent with this Agreement, including performing services for, or contracting with, other clients, persons, or companies as CONTRACTOR sees fit. DESCANSO reserves the right to employ other contractors in connection with the Services described in Attachment A.

ARTICLE 5 OBLIGATIONS OF CONTRACTOR

Compliance with Laws/Rules

5.01 In performing the Services specified in this Agreement, CONTRACTOR agrees to comply with all applicable laws, rules, regulations, and ordinances, whether federal, state, or local, and any and all applicable DESCANSO policies, procedures, departmental rules, and other directives provided by DESCANSO to CONTRACTOR, including, but not limited to, any Contractor Safety Policies and Procedures. Any changes to DESCANSO policies and procedures that relate to CONTRACTOR will be provided to CONTRACTOR in writing. CONTRACTOR agrees that, prior to entering into this Agreement, it has reviewed such policies, procedures, rules, and directives, the contents of which CONTRACTOR will be deemed to have knowledge.

5.02 CONTRACTOR shall ensure that any report generated under this Agreement complies with California Government Code section 7550.

Indemnity, Hold Harmless, and Defense

5.03 To the maximum extent allowable by law, CONTRACTOR shall indemnify, defend, and hold harmless DESCANSO and its officials, officers, directors, employees, agents and volunteers (collectively referred to as the "**Indemnified Parties**") against all claims, demands, losses, costs, expenses, obligations, liabilities, damages, recoveries, and deficiencies, including interest, penalties, attorneys' fees, and costs (collectively referred to as "**Liabilities**") that such entities or persons may incur that pertain to, arise out of, or relate to CONTRACTOR's performance or obligations under this Agreement, or to CONTRACTOR's

negligence, recklessness, or willful misconduct, or a breach by CONTRACTOR of any representation or agreement contained in this Agreement. CONTRACTOR's obligation to indemnify, defend, and hold harmless DESCANSO shall extend to the acts or omissions, either directly or indirectly, by CONTRACTOR's officers, officials, directors, employees, subcontractors, agents, representatives, volunteers, successors, assigns, or anyone for whom CONTRACTOR is legally responsible. CONTRACTOR's obligations to indemnify, defend, and hold DESCANSO harmless against any Liabilities shall apply regardless of any negligence of Indemnified Parties, except to the extent caused by the sole negligence or willful misconduct of the Indemnified Parties.

5.03.1 CONTRACTOR shall cooperate with and do whatever is necessary to protect Indemnified Parties from any such Liabilities.

5.03.2 CONTRACTOR shall defend Indemnified Parties, at CONTRACTOR's own cost, expense and risk, from any and all such aforesaid Liabilities asserted in claims, demands, actions, causes of action, arbitration, mediations or other proceedings of any kind that may be brought or instituted against Indemnified Parties. CONTRACTOR and Indemnified Parties shall be jointly represented by legal counsel, unless there is a conflict of interest, and CONTRACTOR shall pay Indemnified Parties' reasonable attorneys' fees and costs as they are incurred. Indemnified Parties shall be consulted regarding, and shall approve, the selection of legal counsel. Should separate legal counsel be necessary for Indemnified Parties, as determined by DESCANSO, CONTRACTOR shall pay for the reasonable attorneys' fees and costs including expert witness fees, as such fees and costs are incurred and within thirty (30) days of receipt of an invoice, for Indemnified Parties' legal counsel in addition to CONTRACTOR's own legal fees and costs. In all circumstances, Indemnified Parties reserve the right to retain their own attorneys. CONTRACTOR shall not agree without Indemnified Parties' prior written consent to any settlement on Indemnified Parties' behalf.

5.03.3 If CONTRACTOR is obligated to defend Indemnified Parties pursuant to this Article 5 and fails to do so after reasonable notice from DESCANSO, Indemnified Parties may defend themselves and/or settle such claims, suit or assertion, and CONTRACTOR shall pay to Indemnified Parties any and all Liabilities incurred in relation to Indemnified Parties' defense and/or settlement of such proceeding.

5.03.4 CONTRACTOR shall pay and satisfy any judgment, award, liability, or decree that may be awarded, imposed, or rendered against Indemnified Parties as a result of any claims, demands, suits, actions, causes of action, arbitrations, mediations, or other proceedings whether legal, administrative or otherwise, including any settlement related thereto.

5.03.5 CONTRACTOR's obligation to indemnify, defend, and hold DESCANSO harmless against all Liabilities shall not be limited in any way by any limitation on the amount or type of damages, compensation, or benefits payable by or for CONTRACTOR, subcontractor, supplier, or other person under workers' compensation acts, disability acts or other employee acts or the insurance required by this Agreement. CONTRACTOR's obligation to indemnify, defend, and hold DESCANSO harmless against all Liabilities shall not be restricted to insurance proceeds, if any, received by CONTRACTOR or Indemnified Parties. Provision of insurance coverage as required by this Agreement shall not affect CONTRACTOR's indemnity obligations.

5.03.6 CONTRACTOR's indemnification, hold harmless, and defense obligation shall survive the termination or expiration of this Agreement.

Notice of and Participation in Third Party Claims

5.04 CONTRACTOR shall give DESCANSO written notice of any claim or liability asserted by a third party that arises from or relates to the Work performed under this Agreement (“Third-Party Claim”), as soon as possible upon the receipt of information of any possible Third-Party Claim or of the commencement of any Third-Party Claim. CONTRACTOR shall not oppose any attempt by DESCANSO to intervene or otherwise participate in any such Third-Party Claim. CONTRACTOR shall not settle any Third-Party Claim covered by this Section unless it has obtained the prior written consent of DESCANSO, which consent shall not be unreasonably withheld, conditioned or delayed. DESCANSO shall have no liability under this Section for any Third-Party Claim for which such notice is not provided or is not provided in a timely manner, including no liability for contribution, indemnification, reimbursement or penalties. CONTRACTOR’s obligations hereunder shall survive the termination or expiration of this Agreement.

Insurance

5.05 CONTRACTOR shall procure and maintain in full force and effect for the duration of this Agreement, insurance against claims for injuries to persons or damages to property which may arise from or in connection with the performance of the work hereunder by CONTRACTOR, its agents, representatives, employees, or subcontractors. Insurance policies shall be on an occurrence basis, and coverage shall be at least as broad and in the minimum amounts as follows:

5.05.1 California Workers' Compensation Insurance, as required by the State of California, with statutory limits, and Employer’s Liability Insurance with limits of no less than One Million Dollars (\$1,000,000) per accident for bodily injury or disease.

5.05.2 General Liability Insurance [ISO Form CG 0001, or equivalent], covering products and completed operations, bodily injury, personal & advertising injury and property damage with limits no less than One Million Dollars (\$1,000,000) per occurrence. If a general aggregate limit is used, either the general aggregate limit shall apply separately to this project/location or the general aggregate limit shall be twice the required occurrence limit.

5.05.3 Automobile Liability Insurance [ISO Form CA 0001 covering code 1 (any auto), or if no owned autos, Code 8 (hired) and 9 (non-owned), or equivalent forms] with limits no less than One Million Dollars (\$1,000,000) per accident for bodily injury and property damage.

5.05.4 Error and Omissions (Professional Liability) Insurance appropriate to CONTRACTOR’s services, with limits no less than Two Million Dollars (\$2,000,000) per occurrence or claim, and Two Million Dollars (\$2,000,000) aggregate.

5.06 The following are required provisions:

5.06.1 CONTRACTOR will provide additional insured insurance coverage and policy endorsements for DESCANSO and its officers, officials, directors, employees, volunteers, or agents (collectively referred to as the “**Insured Parties**”) under the general liability and automobile liability policies. The coverage shall contain no special limitations on the scope of protection afforded to the Insured Parties. General liability coverage can be provided in the form of an endorsement to CONTRACTOR’s insurance (at least as broad as ISO Form CG 20 10, 11 85, or both (CG 20 10, CG 20 26, CG 20 33, or CG 20 38; and CG 20 37 forms if later revisions used)).

5.06.2 CONTRACTOR's insurance shall be primary insurance as respects Insured Parties, and each of them. Any insurance, self-insurance or other coverage maintained by Insured Parties shall be excess of CONTRACTOR's insurance and shall not contribute to it.

5.06.3 Any failure to comply with reporting or other provisions of the policies including breaches of warranties shall not affect coverage provided to Insured Parties.

5.06.4 CONTRACTOR's insurance shall apply separately to each insured against whom a claim is made or suit is brought, except with respect to the limits of insurer's liability.

5.06.5 Liability insurance shall include indemnification against loss from liability imposed by law upon, or assumed under contract by, CONTRACTOR or its subcontractors for damages on account of bodily injury, including death resulting therefrom, suffered or alleged to have been suffered by any person or persons, other than employees, resulting from the performance or execution of this Agreement by CONTRACTOR or its subcontractors.

5.06.6 Each insurance policy required by this Agreement shall be endorsed to state that coverage shall not be cancelled or materially modified by the insured or insurer without thirty (30) days prior written notice by certified mail to DESCANSO.

5.07 CONTRACTOR hereby agrees to waive rights of subrogation which any insurer of CONTRACTOR may acquire from CONTRACTOR by virtue of the payment of any loss. CONTRACTOR agrees to obtain any endorsement that may be necessary to affect this waiver of subrogation, but this provision applies regardless of whether or not such endorsement is provided. The Workers' Compensation policy shall be endorsed with a waiver of subrogation in favor of Insured Parties for all work performed by CONTRACTOR, its employees, agents and subcontractors.

5.08 Insurance will be purchased from insurance companies with a current A.M. Best's rating of no less than A:VII, unless otherwise agreed to in writing by DESCANSO.

5.09 Self-insured retentions must be declared to and approved by DESCANSO. DESCANSO may require CONTRACTOR to purchase coverage with a lower retention or provide proof of ability to pay losses and related investigations, claim administration, and defense expenses within the retention. The policy language shall provide, or be endorsed to provide, that the self-insured retention may be satisfied by either the named insured or DESCANSO.

5.10 CONTRACTOR will furnish DESCANSO with certificates of insurance prior to the commencement of work under this Agreement, and as may be periodically requested by DESCANSO. CONTRACTOR shall include all endorsements necessary to comply with this Agreement, including additional insured endorsements, signed by the insurer's representative. Such evidence shall include confirmation that coverage includes or has been modified to include all provisions required by this Agreement. CONTRACTOR shall, upon request of DESCANSO at any time, deliver to DESCANSO complete, certified copies of the policies of insurance, including endorsements, and receipts for payment or premiums thereon, required by this Agreement. Failure to obtain the required documents prior to the work beginning shall not waive CONTRACTOR's obligation to provide them.

5.11 If any of the required coverages expire during the term of this Agreement, CONTRACTOR shall deliver the renewal certificate(s) including the general liability and auto liability additional insured endorsements to DESCANSO at least ten (10) days prior to the expiration date.

5.12 CONTRACTOR shall require and verify that all subcontractors maintain insurance meeting all the requirements stated herein, and CONTRACTOR shall ensure that DESCANSO is an additional insured on insurance required from subcontractors.

5.13 Claims Made Policies. If any of the required policies provide coverage on a claims-made basis:

5.13.1 The Retroactive Date must be shown and must be before the date of the Agreement or the beginning of contract work.

5.13.2 Insurance must be maintained and evidence of insurance must be provided for at least five (5) years after completion of the contract of work.

5.13.3 If coverage is canceled or non-renewed, and not replaced with another claims-made policy form with a Retroactive Date prior to the contract effective date, the CONTRACTOR must purchase "extended reporting" coverage for a minimum of five (5) years after completion of contract work.

Conflict of Interest

5.14 Upon the award of this Agreement and periodically thereafter, CONTRACTOR may be required to complete and file with DESCANSO a Conflict-of-Interest form, to be provided to CONTRACTOR by DESCANSO.

Assignment/Subcontracting

5.15 CONTRACTOR shall not subcontract or assign this Agreement nor any duties or obligations under this Agreement without the prior written consent of DESCANSO. CONTRACTOR shall be responsible for the acts and omissions of and for payment to any subcontractor performing services under this Agreement, and shall bind any such subcontractor to CONTRACTOR's duties and obligations hereunder. DESCANSO shall have the right to approve any subcontractor agreements. Nothing contained in this Agreement will create any contractual relationship between DESCANSO any subcontractor of CONTRACTOR.

Safety

5.16 CONTRACTOR shall be solely and completely responsible for the safety of all CONTRACTOR personnel, including personnel of any subcontractors, during performance of the services under this Agreement. CONTRACTOR shall fully comply with all laws, rules, regulations and ordinances relating to safety of the public and workers, whether federal, state or local. CONTRACTOR shall also comply with all contract provisions and DESCANSO's policies, procedures, departmental rules, and other directives, as provided by DESCANSO's Project Manager to CONTRACTOR, relating to the safety of the public and workers, including, but not limited to, DESCANSO's Contractor Safety Policies and Procedures and any project specific requirements.

ARTICLE 6 OBLIGATIONS OF DESCANSO

6.01 DESCANSO agrees to comply with all reasonable requests of CONTRACTOR, including requests to access documents, data and facilities reasonably necessary for the performance of CONTRACTOR's duties under this Agreement, consistent with applicable law.

**ARTICLE 7
TERMINATION OF AGREEMENT**

Termination for Cause

7.01 If DESCANSO determines that CONTRACTOR has failed to perform the Services under this Agreement in accordance its terms and conditions, DESCANSO may terminate all or part of the Agreement for cause. This termination shall become effective if CONTRACTOR does not cure its failure to perform within 10 days (or more, if authorized in writing by DESCANSO) after receipt of a notice of intention to terminate from DESCANSO specifying the failure in performance. If a termination for cause does occur, DESCANSO shall have the right to withhold monies otherwise payable to CONTRACTOR until the Services under this Agreement are completed. If DESCANSO incurs additional costs, expenses, or other damages due to the failure of CONTRACTOR to properly perform under this Agreement, these costs, expenses, or other damages shall be deducted from the amounts withheld. Should the amounts withheld exceed the amounts deducted, the balance will be paid to CONTRACTOR upon completion of the Services to be provided under this Agreement. If the costs, expenses, or other damages incurred by DESCANSO exceed the amounts withheld, CONTRACTOR shall be liable to DESCANSO for the difference.

7.02 CONTRACTOR may terminate this Agreement for cause if DESCANSO fails to cure a material default in performance within a period of 30 days, or such longer period as CONTRACTOR may allow, after DESCANSO's receipt from CONTRACTOR of a written termination notice specifying the default in performance. In the event of termination for cause by CONTRACTOR, DESCANSO will pay CONTRACTOR in accordance with Section 7.03.

Termination Without Cause

7.03 DESCANSO may terminate this Agreement for convenience at any time upon written notice to CONTRACTOR, in which case, DESCANSO will pay CONTRACTOR for all Services performed and all expenses incurred under this Agreement up to and including the effective date of termination less any costs, expenses, or other damages due to the failure of the CONTRACTOR to properly perform pursuant to the Agreement. No compensation will be payable for anticipated profit on unperformed services.

**ARTICLE 8
PROPRIETARY AND CONFIDENTIAL INFORMATION**

8.01 Any written, printed, graphic, or electronically or magnetically recorded information furnished by DESCANSO for CONTRACTOR's use is the sole property of DESCANSO. CONTRACTOR and its employee(s) and subcontractor(s) will keep any confidential information provided by DESCANSO in the strictest confidence, and will not disclose it by any means to any person except with DESCANSO approval, and only to the extent necessary to perform the Services under this Agreement. On termination of this Agreement, CONTRACTOR will promptly return to DESCANSO any confidential information in its possession.

**ARTICLE 9
GENERAL PROVISIONS**

Notices

9.01 Any notices required to be given under this Agreement by either party to the other may be affected by email, personal delivery, mail (first class, registered, or certified) with postage prepaid and

return receipt requested. Mailed notices must be addressed to the parties at the addresses below, but each party may change the address by giving written notice in accordance with this Section. Any notice personally delivered or sent by email shall be deemed communicated upon receipt if received before 5:00 p.m. Pacific Standard Time (“PST”) on a business day, or the following business day if received after 5:00 p.m. PST or on a Saturday, Sunday, or legal holiday. Any notice sent by overnight delivery service shall be deemed communicated on the next business day following delivery thereof to the overnight delivery service. Any notice given by mail shall be deemed communicated three (3) days after deposit in the United States mail.

To DESCANSO: Descanso Community Water District
Box 610 (for USPS)
24680 Viejas Grade Rd, Suite 610 (for Fed Ex or UPS)
Descanso, CA 91916

Email: mphillipswater@gmail.com
Attention: Maureen Phillips, Board President

To CONTRACTOR: Nigro and Nigro, PC
25220 Hancock Street, #400
Murietta, CA 92562

Email: pkaymark@nncpas.com
Attention: Paul Kaymark, CPA

Entire Agreement of the Parties

9.02 This Agreement, including any Attachments, contains the entire understanding between the parties hereto with respect to the subject matter hereof, and supersedes all prior and contemporaneous agreements and understandings, inducements, or conditions, express or implied, oral or written, except as herein contained. The express terms hereof control and supersede any course of performance and/or usage of the trade inconsistent with any of the terms hereof.

Amendment

9.03 This Agreement may not be modified or amended other than by a writing signed by the parties, including any changes to the scope of services or any timeframes identified in Attachment A.

Partial Invalidity

9.04 If any non-material provision of this Agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remaining provisions will continue in full force and effect without being impaired or invalidated in any way.

Attorneys’ Fees

9.05 If any legal action, including an action for declaratory relief, is brought to enforce or interpret the provisions of this Agreement, the prevailing party will be entitled to reasonable attorneys’ fees, which may be set by the court in the same action or in a separate action brought for that purpose, in addition to any other relief to which that party may be entitled.

Ownership of Documents and Materials

9.06 All original drawings, data, reports, documents and materials developed for the project, including detailed calculations, shall be furnished to and become the property of DESCANSO. DESCANSO agrees to indemnify CONTRACTOR for claims, damages, or liabilities caused by any use by DESCANSO of the plans, drawings, specifications, and all information gathered by CONTRACTOR on any project other than the one for which such plans, drawings, and specifications were prepared and information gathered by CONTRACTOR.

Audits

9.07 If this Agreement involves an expenditure of public funds in excess of Ten Thousand Dollars (\$10,000), the Agreement is subject to examination and audit of the State Auditor, at the request of DESCANSO or as part of any audit of DESCANSO, for a period of three (3) years after final payment under the Agreement. CONTRACTOR shall cooperate with DESCANSO, including any authorized representative of DESCANSO, regarding such audit at no charge to DESCANSO.

Counterparts

9.08 This Agreement may be executed in counterparts and electronically, each of which shall constitute an original, but all of which together shall constitute one and the same agreement, and the signature of any party to any counterpart shall be deemed a signature to, and may be appended to, any other counterpart.

Provisions Required by Law

9.09 Each and every provision of law and clause required by law to be inserted in this Agreement shall be deemed to be inserted herein, and the Agreement shall be read and enforced as though they were included herein. If through mistake or otherwise any such provision is not inserted, or is not correctly inserted, then upon the request of either party, the Agreement shall forthwith be physically amended to make such insertion.

Governing Law

9.10 This Agreement and all questions relating to its validity, interpretation, performance, and enforcement (including, without limitation, provisions concerning limitations of actions), shall be governed by and construed in accordance with the laws of the State of California.

Jurisdiction and Venue

9.11 The proper jurisdiction and venue for any claims, causes of action or other proceedings arising out of or relating to this Agreement shall be in the County of San Diego, State of California, and the parties hereby waive any right providing for a change of jurisdiction or forum to any other location.

No Waiver

9.12 A waiver by either party of a breach of any provision of this Agreement shall not constitute a general waiver or prejudice the other party's right otherwise to demand strict compliance with that provision or any other provisions in this Agreement. Likewise, DESCANSO's acceptance of any reports,

work, services or materials furnished pursuant to this Agreement, or DESCANSO's payment therefor, shall not operate as a waiver of any of DESCANSO's rights under this Agreement or of any cause of action or defense relating to the performance of this Agreement.

False Claims

9.13 In signing this Agreement, CONTRACTOR certifies that CONTRACTOR shall not submit a false claim in violation of the False Claims Act, section 12650 *et seq.* of the Government Code.

Signature Authority

9.14 The parties each covenant that the individual executing this Agreement on their behalf is a person duly authorized and empowered to execute this Agreement for such party.

BY SIGNING BELOW THE PARTIES VOLUNTARILY ENTER INTO THIS AGREEMENT AND ACKNOWLEDGE THAT THEY HAVE READ AND UNDERSTAND THE TERMS SET FORTH HEREIN AND AGREE TO BE BOUND THEREBY.

DESCANSO COMMUNITY WATER DISTRICT:

CONTRACTOR:

Signature

Signature

Name

Name

Title

Title

Date

Date

Attachment A – Scope of Work

Description of Auditing Services

1. Pre-Audit Conference- A pre-audit conference (teleconference or videoconference is acceptable) is required each year to provide a clear understanding of any conditions to be met by DESCANSO staff and responsibilities of CONTRACTOR, so that the audit can be conducted on a timely basis and concluded in accordance with predetermined schedules and applicable requirements.
2. Financial Statements- The primary financial statements shall be a Comprehensive Annual Financial Report (CAFR). Any requirements for DESCANSO to report in CAFR format need to be instructed in advance. This includes comparative balance sheets on the combined and individual funds at the end of the current and preceding year, with supporting notes and schedules that provide details of or explain changes in account balances; comparative statements of income and expense for the current and preceding year with supporting notes and schedules that details of income statement accounts; statement of retained earnings explaining changes in the unappropriated earnings account from the beginning to the end of the current fiscal year; and reconciliation of net income.
3. Annual Report of Financial Transactions- CONTRACTOR shall prepare and submit the annual report to the State Controller pursuant to the requirements set forth in Government Code Section 26909. This report shall be completed and on file with the State Controller within the mandated period. CONTRACTOR shall submit to DESCANSO a copy of the annual report prior to transmittal to the State Controller. Evidence of submission to the State Controller shall be provided to DESCANSO. Single audit may be required in the event that DESCANSO has expended \$750,000 or more of federal grant funds in a fiscal year.
4. Opinion Letter- An opinion letter is required attesting to the fair presentation of the financial statements in conformity with generally accepted accounting principles.
5. Management Report-The audit examination shall evaluate DESCANSO's accounting system, internal control structure, methods of processing data and maintaining financial records. This evaluation shall be comprehensive enough in scope to provide for an appropriate report to DESCANSO. CONTRACTOR shall prepare a separate management letter on the internal control structure based on CONTRACTOR's understanding of the control structure and assessment of control risk. This report shall be submitted to DESCANSO and shall outline CONTRACTOR's observations and recommendations for enhancement, including any reportable conditions found during the audit.
6. Budget and Finance Committee- CONTRACTOR shall provide a draft of the initial comprehensive financial report to the DESCANSO's Budget and Finance Committee within 30 days of completion.
7. Board Meetings- CONTRACTOR shall present in person or electronically a summary of the final Comprehensive Financial Report at one or more Board meetings, with dates mutually agreed upon.

8. Exit Conference- An “exit” conference is required with DESCANSO staff. The exit conference shall disclose any facts or situations that CONTRACTOR believes have, or have had, a bearing on their work or report. DESCANSO staff will do the same.
9. Final Audit Report-Six (6) copies of the Opinion Letter and Final Comprehensive Annual Financial Report shall be submitted to DESCANSO. Six (6) copies of the final Management Report shall be submitted to DESCANSO.

Audit Schedule and Other Requirements

CONTRACTOR is required to complete and submit the Annual Report of Financial Transactions of Special District prior to the statutory deadline date. Failure of CONTRACTOR to adhere to the schedule with or without discussion with DESCANSO may result in the assessment of damages against CONTRACTOR for delay. Notwithstanding the foregoing, CONTRACTOR shall not be responsible for delays which are due to cause beyond CONTRACTOR’s reasonable control.

CONTRACTOR will provide a schedule of the key elements of the audit. A recommended schedule is the following: September 30- Fieldwork shall be completed; October 31- Opinion Letter to DESCANSO; November 30- Draft CAFR to DESCANSO, all other certifications required of auditors; December- presentation to the Board at the quarterly meeting.

CONTRACTOR must be available for telephone consultations with DESCANSO accountant and manager throughout the year, as needed, to provide guidance on various accounting matters at no additional cost.

AUDIT FEES

Professional	Hours	Rates		Total
		Standard	Quoted	
Partner	12.00	\$ 200.00	\$ 175.00	\$ 2,100.00
Manager	24.00	175.00	150.00	3,600.00
Senior	24.00	150.00	125.00	3,000.00
Staff Members	38.00	125.00	100.00	3,800.00
Admin	-	100.00	75.00	-
Subtotal	<u>98.00</u>			12,500.00
Out-of-Pocket - Included in Rates (We Are Local)				-
Total Max				<u>\$ 12,500.00</u>

Fiscal Year	FY 2023	FY 2024	FY 2025	Total
District ACFR	\$ 12,000	\$ 12,000	\$ 12,000	\$ 36,000
State Controller's	\$ 500	\$ 500	\$ 500	\$ 1,500
Total	<u>\$ 12,500</u>	<u>\$ 12,500</u>	<u>\$ 12,500</u>	<u>\$ 37,500</u>

Same Price for FY 2026 and FY 2027

Federal Single-Audit \$5,000 per major program if not clustered

ADDITIONAL INFORMATION

Testimonial

"Few people have the opportunity to work with someone who was a coach and a mentor-but I did when I worked with Paul. I had the pleasure working directly under Paul's supervision and I was particularly impressed by his ability to handle even the toughest clients - and effortlessly. That skill often takes years to develop, but it seemed to come perfectly natural to him. Paul was one of those rare partners who also naturally serve as an inspiring mentor for the whole staff and I was grateful to learn a lot from him."

*Deana Miller
Accounting Manager
PolyCera, Inc.*

Fraud Hotline



Throughout the audit process, we will make available our fraud hotline reporting service at no additional charge over the period of the contract to ensure the District has an effective anti-fraud program.

Item 10

STATUS OF WELL NO. 7 IMPROVEMENTS AND IRON MANGANESE TREATMENT FACILITY IMPROVEMENTS:

The District Engineer will update the Board regarding the Treatment Project Status and the Board will take appropriate action.

Notes:

Item 11

PRESENTATION OF CONSOLIDATION FEASIBILITY STUDY FOR GUATAY MUTUAL BENEFIT CORPORATION:

The District Engineer provide an presentation of the consolidation and feasibility study for Guatay Mutal and the Board will take appropriate action.

Notes:

Item 12

CLOSED SESSION CONTRACT DISCUSSION:

The Board will discuss the current contract for engineering services and take appropriate action.

Notes:

Item 13

GENERAL MANAGER'S REPORT:

The GM will provide a report for activities occurring since the last meeting.

- A. Water quality and customer complaints
- B. Water usage and testing results
- C. Engineering Report
- D. Q&A

Notes:

Item 14

DCWD BOARD OF DIRECTORS NEWSLETTER:

The Board will discuss a draft outline of the DCWD Board of Directors Newsletter and take appropriate action.

Notes:

Item 15

SUCH OTHER ITEMS DIRECTLY RELATED TO THE PREVIOUS AGENDA ITEMS ABOVE AS MAY BE BROUGHT BEFORE THE BOARD OF DIRECTORS

Notes:

Item 16

MOTION TO ADJOURN.

Notes:
