



# DESCANSO COMMUNITY WATER DISTRICT

**June 17, 2025**



POSTED:

## **NOTICE**

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

**Tuesday, June 17, 2025, 7:00 pm**

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

***Some participants will be joining remotely.***

### **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 following meetings and take appropriate action:
  - Regular Meeting held on March 18, 2025
6. **FINANCIAL REPORT:** The district's accountant will present the financial report to the Board. The Board will consider its approval and take appropriate action.
7. **ACCOUNTING SERVICES RENEWAL FPA 2025-2026:** The Board will review the proposed accounting services renewal and take appropriate action.
8. **AUDITOR SERVICES RENEWAL DCWD EL 2025:** The Board will review the proposed auditor services renewal and take appropriate action.
9. **REMOVAL OF FUTURE LATE FEES FOR CUSTOMERS THAT SIGN A PAYMENT PLAN:** The Board will discuss the suggestion of allowing ongoing late fees for customers with payment plans being kept up on to be waived until the account is brought current and take appropriate action.
10. **ENGINEERING STATUS REPORT:** The district's engineer will present a project update to the board.
11. **EVALUATION OF FUNDING OPTIONS FOR DCWD PROJECT:** Dan will go over the project budget and give the board all funding options available. (presented remotely)
12. **DRAFT RATE STUDY:** The board will review a draft rate study for DCWD. (presented remotely)
13. **GENERAL MANAGER'S REPORT:** The GM will provide a report on activities occurring since the last meeting.
  - A. GM Report.
  - B. Q&A.

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

18. **OTHER ITEMS DIRECTLY RELATED TO THE ABOVE-DESCRIBED MATTERS AS MAY BE BROUGHT BEFORE THE BOARD OF DIRECTORS**

19. **MOTION TO ADJOURN**

<b>Board of Directors</b>		
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 September 16, 2025.

**Item 1**

**CALL TO ORDER, PLEDGE OF ALLEGIANCE**



## Item 2

### **ROLL CALL:**

1. Maureen Phillips
2. Sheri Minix
3. Lee Johnson
4. Dan DeMoss

**Item 3**

**APPROVAL OF AGENDA:**

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

**Notes:**

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**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:**

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**Item 5**

**APPROVAL OF THE MINUTES:**

The Board will review the draft minutes from the following meetings and take appropriate action:

- Regular Meeting held on March 18th, 2025

**Notes:**

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## **Minutes**

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

***Tuesday, March 18th, 2024, 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 7:06 PM.
2. **ROLL CALL:** Members present were Phillips, Johnson, and Minix. Dan DeMoss and Julie Meeks with CRWA, SUSP/DCWD Billing Specialist Cierra Creamer, SUSP/DCWD Field Technician Cameron West. Jason Kaminsky with HNK CPAs.
3. **APPROVAL OF AGENDA:** The agenda was approved with one adjustment to move item #15 to be before item #6. A motion to approve the agenda with the one adjustment was made by Johnson and a second by Minix. A vote was taken, 3 approved and 0 opposed.
4. **PUBLIC COMMENT:** No public comment was made. No action needed.
5. **APPROVAL OF THE MINUTES OF THE DECEMBER 2024 MEETING:** The minutes were approved with no adjustments needed. A motion to approve the minutes as is, was made by Johnson and a second by Minix. A vote was taken, 3 approved and 0 opposed.
6. **FINANCIAL REPORT:** Jason Kaminsky with HNK CPAs went over the financial report with the board and answered all questions. A motion to accept the financial report as is, was made by Johnson and a second by Minix. A vote was taken, 3 approved and 0 opposed.
7. **PROCOPIO LEGAL REPRESENTATION LETTER FOR BOND COUNSEL:** Dan DeMoss went over the letter for bond counsel with the board and answered any questions. A motion to approve Procopio as bond counsel was made by Johnson and a second by Minix. A vote was taken, 3 approved and 0 opposed.
8. **LAGERLOF LLP LEGAL COUNSEL SERVICES:** The board discussed whether to make James Ciampa the main legal counsel. A motion to appoint James Ciampa as legal counsel for the district was made by Johnson and a second by Minix. A vote was taken, 3 approved and 0 opposed.

9. **RURAL WATER FINANCING AGENCY TERMS:** DeMoss and Meeks went over the financing agency terms with the board and answered all questions. No action needed as any decision made will be deferred until the June meeting.
10. **DCWD SHUT OFF POLICY:** Meeks went over the current DCWD shut off policy and her proposed changes to said policy with the board. Meeks answered all questions and took note of one change needing to be made to the proposed policy which would be to lower the delinquent balance from \$1,500.00 to \$1,000.00. It was also asked for us to double check what our shut off/turn on fees are. A motion to approve the DCWD shut off policy amendment with changes in obedience to code was made by Johnson and a second by Minix. A vote was taken, 3 approved and 0 opposed.
11. **ENGINEERING STATUS REPORT:** DeMoss went over the engineering status report with the board. DeMoss had recently spoken with James Owens with NV5 and relayed all the information given to him to the board. No action needed.
12. **CONSIDER TASK ORDER 14 TO NV5 FOR ENVIRONMENTAL MONITORING FOR THE WELL DRILLING AND DESTRUCTION PROJECT:** The board reviewed and discussed Task Order 14 provided by NV5. A motion to approve Task Order 14 was made by Minix and a second by Johnson. A vote was taken, 3 approved and 0 opposed.
13. **CONSIDER AMENDMENT NO. 02 TO TASK ORDER 9 - CONSTRUCTION MANAGEMENT SERVICES TO REFLECT CHANGE OF SCOPE OF CONSTRUCTION TO A NEW WELL NO. 07 AND DESTRUCTION OF WELL NO. 06:** The Board reviewed and discussed the second amendment to Task Order 9 provided by NV5. A motion to approve Task Order 9 was made by Johnson and a second by Minix. A vote was taken, 3 approved and 0 opposed.
14. **CONSIDER ISSUING AN AWARD OF CONTRACT FOR THE CONSTRUCTION OF THE IRON AND MANGANESE TREATMENT FACILITY:** The Board went over the contract with DeMoss who answered all questions. Phillips would like DeMoss to speak with the contractor regarding the bid item pricing which needs some clarification. A motion to approve the lowest bid price of \$3,199,379 from JCI Inc was made by Johnson and a second by Minix. A vote was taken, 3 approved and 0 opposed.
15. **LETTER OF SUPPORT FOR SENATE BILL 463:** DeMoss and Phillips went over the bill and all that it entails. A motion to authorize the writing and submission of a letter of support was made by Johnson and a second by Minix. A vote was taken, 3 approved and 0 opposed.

16. **GENERAL MANAGER'S REPORT:** DeMoss and West went over the general manager's report with the board and answered all questions. The damage to the fence at Well 5 caused by a hit and run was discussed as well as the current status of the tank cleaning and inspection. It was also asked that the apprenticeship information be posted to the DCWD website. No action needed.
17. **DCWD BOARD OF DIRECTOR'S NEWSLETTER:** A letter is not needed at this time.
18. **OTHER ITEMS DIRECTLY RELATED TO THE ABOVE-DESCRIBED MATTERS AS MAY BE BROUGHT BEFORE THE BOARD OF DIRECTORS:** N/A
19. **MOTION TO ADJORN:** A motion was given by Minix and a second by Johnson to adjourn the meeting at 8:44 PM.

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:**

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**Descanso Community Water District**  
**Statement of Net Position**  
As of March 31, 2025

	<u>Mar 31, 25</u>
<b>ASSETS</b>	
<b>Current Assets</b>	
<b>Checking/Savings</b>	
<b>Cash and Cash Equivalents</b>	
<b>Cash</b>	
General Fund7573-Cal Bank	239,686
Checking7680-Cal Bank	18,574
Emgncy/Cap ImproveFund-Cal Bank	638,047
Installment Fund - US Bank	17,720
Reserve Fund - US Bank	37,110
Deposits In Transit	-849
<b>Total Cash</b>	<u>950,288</u>
<b>Total Cash and Cash Equivalents</b>	<u>950,288</u>
<b>Total Checking/Savings</b>	950,288
<b>Accounts Receivable</b>	
<b>Customer Accounts Receivable</b>	
Customer Accounts Receivable	213,640
<b>Total Customer Accounts Receivable</b>	<u>213,640</u>
<b>Allowance for Doubtful Accounts</b>	<u>-101,052</u>
<b>Total Accounts Receivable</b>	112,588
<b>Other Current Assets</b>	
Security Deposits	3,260
Materials and Supplies	31,011
Prepayments	925
<b>Total Other Current Assets</b>	<u>35,196</u>
<b>Total Current Assets</b>	1,098,072
<b>Fixed Assets</b>	
Utility Plant-At Original Cost	4,052,764
Accumulated Depreciation	<u>-1,391,215</u>
<b>Total Fixed Assets</b>	2,661,549
<b>Other Assets</b>	
Uncapitalized Fixed Assets -WIP	72,529
<b>Total Other Assets</b>	<u>72,529</u>
<b>TOTAL ASSETS</b>	<u><u>3,832,150</u></u>

**Descanso Community Water District**  
**Statement of Net Position**  
As of March 31, 2025

	<u>Mar 31, 25</u>
<b>LIABILITIES &amp; EQUITY</b>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
<b>Accounts Payable</b>	
Accts Pay - General	66,127
<b>Total Accounts Payable</b>	<u>66,127</u>
<b>Other Current Liabilities</b>	
<b>Current Portion of LTD</b>	
Loan Payable - US Bank	19,000
Loan Payable - SD County	4,613
USDA Series 2021A Short Term	25,000
USDA Series 2021B Short Term	<u>7,000</u>
<b>Total Current Portion of LTD</b>	55,613
Interest Accrued	<u>17,022</u>
<b>Total Other Current Liabilities</b>	<u>72,635</u>
<b>Total Current Liabilities</b>	138,762
<b>Long Term Liabilities</b>	
<b>Long-Term Debt</b>	
Loan Payable - US Bank 4/2038	331,236
Loan Payable-SD County 1/2041	90,596
USDA Series 2021A Long Term	1,396,000
USDA Series 2021B Long Term	<u>23,000</u>
<b>Total Long-Term Debt</b>	<u>1,840,832</u>
<b>Total Long Term Liabilities</b>	<u>1,840,832</u>
<b>Total Liabilities</b>	1,979,594
<b>Equity</b>	1,852,556
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<u><u><b>3,832,150</b></u></u>

# Descanso Community Water District

## Statement of Revenues, Expenses, & Change in Net Position

January through March 2025

Ordinary Income/Expense	Jan 25	Budget	\$ Over Budget	% of Budget	Feb 25	Budget	\$ Over Budget	% of Budget
<b>Income</b>								
Operating Revenues	41,836	40,739	1,097	103%	41,273	40,737	536	101%
Total Income	41,836	40,739	1,097	103%	41,273	40,737	536	101%
Gross Profit	41,836	40,739	1,097	103%	41,273	40,737	536	101%
<b>Expense</b>								
Operating Expenses	974	1,349	-375	72%	1,010	1,222	-212	83%
Water Treatment	1,890	698	1,192	271%	1,550	824	726	188%
Repairs and Maintenance	5,722	1,874	3,848	305%	778	1,874	-1,096	42%
Transmission & Distribution	29,104	27,550	1,554	106%	29,570	27,550	2,020	107%
Depreciation	13,543	13,543	0	100%	13,543	13,542	1	100%
General & Administrative	6,885	19,905	-13,020	35%	7,466	6,806	660	110%
Total Expense	58,118	64,919	-6,801	90%	53,917	51,818	2,099	104%
Net Ordinary Income	-16,282	-24,180	7,898	67%	-12,644	-11,081	-1,563	114%
<b>Other Income/Expense</b>								
Other Income								
Treatment Plant Project Charge	7,687	7,687	0	100%	7,663	7,688	-25	100%
Viejas Grade Project Charge	1,591	1,591	0	100%	1,586	1,591	-5	100%
Supp Debt Charge	4,533	4,533	0	100%	4,519	4,533	-14	100%
Interest Income	741	1,083	-342	68%	669	1,083	-414	62%
Total Other Income	14,552	14,894	-342	98%	14,437	14,895	-458	97%
Other Expense								
Interest Expense	1,147	4,287	-3,140	27%	4,288	4,287	1	100%
Total Other Expense	1,147	4,287	-3,140	27%	4,288	4,287	1	100%
Net Other Income	13,405	10,607	2,798	126%	10,149	10,608	-459	96%
Net Income	-2,877	-13,573	10,696	21%	-2,495	-473	-2,022	527%

# Descanso Community Water District

## Statement of Revenues, Expenses, & Change in Net Position

January through March 2025

	Mar 25	Budget	\$ Over Budget	% of Budget	Jan - Mar 25	Budget	\$ Over Budget	% of Budget
	TOTAL							
Ordinary Income/Expense								
Income								
Operating Revenues	40,749	40,359	390	101%	123,858	121,835	2,023	102%
Total Income	40,749	40,359	390	101%	123,858	121,835	2,023	102%
Gross Profit	40,749	40,359	390	101%	123,858	121,835	2,023	102%
Expense								
Operating Expenses	1,548	1,399	149	111%	3,532	3,970	-438	89%
Water Treatment	20,753	968	19,785	2,144%	24,193	2,490	21,703	972%
Repairs and Maintenance	4,429	1,873	2,556	236%	10,929	5,621	5,308	194%
Transmission & Distribution	28,997	27,550	1,447	105%	87,671	82,650	5,021	106%
Depreciation	13,543	13,543	0	100%	40,629	40,628	1	100%
General & Administrative	12,654	8,229	4,425	154%	27,005	34,940	-7,935	77%
Total Expense	81,924	53,562	28,362	153%	193,959	170,299	23,660	114%
Net Ordinary Income	-41,175	-13,203	-27,972	312%	-70,101	-48,464	-21,637	145%
Other Income/Expense								
Other Income								
Treatment Plant Project Charge	7,663	7,687	-24	100%	23,013	23,062	-49	100%
Viejas Grade Project Charge	1,586	1,592	-6	100%	4,763	4,774	-11	100%
Supp Debt Charge	4,519	4,533	-14	100%	13,571	13,599	-28	100%
Interest Income	688	1,084	-396	63%	2,098	3,250	-1,152	65%
Total Other Income	14,456	14,896	-440	97%	43,445	44,685	-1,240	97%
Other Expense								
Interest Expense	4,288	4,287	1	100%	9,723	12,861	-3,138	76%
Total Other Expense	4,288	4,287	1	100%	9,723	12,861	-3,138	76%
Net Other Income	10,168	10,609	-441	96%	33,722	31,824	1,898	106%
Net Income	-31,007	-2,594	-28,413	1,195%	-36,379	-16,640	-19,739	219%

**Descanso Community Water District**  
**Statement of Revenues, Expenses, & Change in Net Position**  
 July 2024 through March 2025

Ordinary Income/Expense	Jul 24	Budget	\$ Over Budget	% of Budget	Aug 24	Budget	\$ Over Budget	% of Budget
<b>Income</b>								
Operating Revenues	47,623	44,273	3,350	108%	45,755	44,273	1,482	103%
Total Income	47,623	44,273	3,350	108%	45,755	44,273	1,482	103%
Gross Profit	47,623	44,273	3,350	108%	45,755	44,273	1,482	103%
<b>Expense</b>								
Operating Expenses	2,378	1,884	494	126%	2,369	1,939	430	122%
Water Treatment	19,743	4,689	15,054	421%	1,740	5,151	-3,411	34%
Repairs and Maintenance	1,634	1,864	-230	88%	4,037	1,864	2,173	217%
Transmission & Distribution	28,095	27,550	545	102%	28,280	27,550	730	103%
Depreciation	13,557	13,557	0	100%	13,557	13,557	0	100%
General & Administrative	14,128	6,848	7,280	206%	6,204	6,806	-602	91%
Total Expense	79,535	56,392	23,143	141%	56,187	56,867	-680	99%
Net Ordinary Income	-31,912	-12,119	-19,793	263%	-10,432	-12,594	2,162	83%
<b>Other Income/Expense</b>								
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	4,534	-29	99%	4,505	4,533	-28	99%
Interest Income	1,195	1,083	112	110%	1,084	1,083	1	100%
Total Other Income	14,920	14,895	25	100%	14,809	14,894	-85	99%
Other Expense								
Interest Expense	1,195	4,336	-3,141	28%	4,336	4,336	0	100%
Total Other Expense	1,195	4,336	-3,141	28%	4,336	4,336	0	100%
Net Other Income	13,725	10,559	3,166	130%	10,473	10,558	-85	99%
Net Income	-18,187	-1,560	-16,627	1,166%	41	-2,036	2,077	-2%

# Descanso Community Water District

## Statement of Revenues, Expenses, & Change in Net Position

### July 2024 through March 2025

Ordinary Income/Expense	Sep 24	Budget	\$ Over Budget	% of Budget	Oct 24	Budget	\$ Over Budget	% of Budget
<b>Income</b>								
Operating Revenues	44,665	43,438	1,227	103%	44,971	43,392	1,579	104%
Total Income	44,665	43,438	1,227	103%	44,971	43,392	1,579	104%
Gross Profit	44,665	43,438	1,227	103%	44,971	43,392	1,579	104%
<b>Expense</b>								
Operating Expenses	2,235	1,590	645	141%	2,130	1,635	495	130%
Water Treatment	2,405	1,371	1,034	175%	175	4,779	-4,604	4%
Repairs and Maintenance	6,608	1,863	4,745	355%	4,303	1,874	2,429	230%
Transmission & Distribution	30,227	27,550	2,677	110%	30,950	27,550	3,400	112%
Depreciation	13,557	13,557	0	100%	13,557	13,556	1	100%
General & Administrative	5,891	7,029	-1,138	84%	10,177	6,805	3,372	150%
Total Expense	60,923	52,960	7,963	115%	61,292	56,199	5,093	109%
Net Ordinary Income	-16,258	-9,522	-6,736	171%	-16,321	-12,807	-3,514	127%
<b>Other Income/Expense</b>								
Other Income								
Treatment Plant Project Charge	7,663	7,687	-24	100%	7,687	7,688	-1	100%
Viejas Grade Project Charge	1,586	1,592	-6	100%	1,591	1,591	0	100%
Supp Debt Charge	4,519	4,533	-14	100%	4,533	4,533	0	100%
Interest Income	1,021	1,084	-63	94%	836	1,083	-247	77%
Total Other Income	14,789	14,896	-107	99%	14,647	14,895	-248	98%
Other Expense								
Interest Expense	4,336	4,336	0	100%	4,300	4,299	1	100%
Total Other Expense	4,336	4,336	0	100%	4,300	4,299	1	100%
Net Other Income	10,453	10,560	-107	99%	10,347	10,596	-249	98%
Net Income	-5,805	1,038	-6,843	-569%	-5,974	-2,211	-3,763	270%

# Descanso Community Water District

## Statement of Revenues, Expenses, & Change in Net Position

### July 2024 through March 2025

Ordinary Income/Expense	Nov 24	Budget	\$ Over Budget	% of Budget	Dec 24	Budget	\$ Over Budget	% of Budget
Income								
Operating Revenues	42,755	40,762	1,993	105%	43,269	41,419	1,850	104%
Total Income	42,755	40,762	1,993	105%	43,269	41,419	1,850	104%
Gross Profit	42,755	40,762	1,993	105%	43,269	41,419	1,850	104%
Expense								
Operating Expenses	1,439	1,742	-303	83%	25	1,260	-1,235	2%
Water Treatment	835	921	-86	91%	175	4,845	-4,670	4%
Repairs and Maintenance	4,221	1,874	2,347	225%	14,463	1,873	12,590	772%
Transmission & Distribution	30,775	27,550	3,225	112%	30,565	27,550	3,015	111%
Depreciation	13,543	13,543	0	100%	13,543	13,542	1	100%
General & Administrative	11,994	8,107	3,887	148%	9,503	8,908	595	107%
Total Expense	62,807	53,737	9,070	117%	68,274	57,978	10,296	118%
Net Ordinary Income	-20,052	-12,975	-7,077	155%	-25,005	-16,559	-8,446	151%
Other Income/Expense								
Other Income								
Treatment Plant Project Charge	7,687	7,687	0	100%	7,687	7,687	0	100%
Viejas Grade Project Charge	1,591	1,591	0	100%	1,591	1,592	-1	100%
Supp Debt Charge	4,533	4,533	0	100%	4,533	4,533	0	100%
Interest Income	724	1,083	-359	67%	764	1,084	-320	70%
Total Other Income	14,535	14,894	-359	98%	14,575	14,896	-321	98%
Other Expense								
Interest Expense	4,300	4,299	1	100%	4,300	4,299	1	100%
Total Other Expense	4,300	4,299	1	100%	4,300	4,299	1	100%
Net Other Income	10,235	10,595	-360	97%	10,275	10,597	-322	97%
Net Income	<u><u>-9,817</u></u>	<u><u>-2,380</u></u>	<u><u>-7,437</u></u>	<u><u>412%</u></u>	<u><u>-14,730</u></u>	<u><u>-5,962</u></u>	<u><u>-8,768</u></u>	<u><u>247%</u></u>

**Descanso Community Water District**  
**Statement of Revenues, Expenses, & Change in Net Position**  
 July 2024 through March 2025

	Jan 25	Budget	\$ Over Budget	% of Budget	Feb 25	Budget	\$ Over Budget	% of Budget
<b>Ordinary Income/Expense</b>								
Income								
Operating Revenues	41,836	40,739	1,097	103%	41,273	40,737	536	101%
Total Income	41,836	40,739	1,097	103%	41,273	40,737	536	101%
Gross Profit	41,836	40,739	1,097	103%	41,273	40,737	536	101%
Expense								
Operating Expenses	974	1,349	-375	72%	1,010	1,222	-212	83%
Water Treatment	1,890	698	1,192	271%	1,550	824	726	188%
Repairs and Maintenance	5,722	1,874	3,848	305%	778	1,874	-1,096	42%
Transmission & Distribution	29,104	27,550	1,554	106%	29,570	27,550	2,020	107%
Depreciation	13,543	13,543	0	100%	13,543	13,542	1	100%
General & Administrative	6,885	19,905	-13,020	35%	7,466	6,806	660	110%
Total Expense	58,118	64,919	-6,801	90%	53,917	51,818	2,099	104%
Net Ordinary Income	-16,282	-24,180	7,898	67%	-12,644	-11,081	-1,563	114%
<b>Other Income/Expense</b>								
Other Income								
Treatment Plant Project Charge	7,687	7,687	0	100%	7,663	7,688	-25	100%
Viejas Grade Project Charge	1,591	1,591	0	100%	1,586	1,591	-5	100%
Supp Debt Charge	4,533	4,533	0	100%	4,519	4,533	-14	100%
Interest Income	741	1,083	-342	68%	669	1,083	-414	62%
Total Other Income	14,552	14,894	-342	98%	14,437	14,895	-458	97%
Other Expense								
Interest Expense	1,147	4,287	-3,140	27%	4,288	4,287	1	100%
Total Other Expense	1,147	4,287	-3,140	27%	4,288	4,287	1	100%
Net Other Income	13,405	10,607	2,798	126%	10,149	10,608	-459	96%
Net Income	<u>-2,877</u>	<u>-13,573</u>	<u>10,696</u>	<u>21%</u>	<u>-2,495</u>	<u>-473</u>	<u>-2,022</u>	<u>527%</u>



# Descanso Community Water District

## Statement of Revenues, Expenses, & Change in Net Position

July 2024 through March 2025

	Mar 25	Budget	\$ Over Budget	% of Budget	Jul '24 - Mar 25	Budget	\$ Over Budget	% of Budget
	TOTAL							
Ordinary Income/Expense								
Income								
Operating Revenues	40,749	40,359	390	101%	392,896	379,392	13,504	104%
Total Income	40,749	40,359	390	101%	392,896	379,392	13,504	104%
Gross Profit	40,749	40,359	390	101%	392,896	379,392	13,504	104%
Expense								
Operating Expenses	1,548	1,399	149	111%	14,108	14,020	88	101%
Water Treatment	20,753	968	19,785	2,144%	49,266	24,246	25,020	203%
Repairs and Maintenance	4,429	1,873	2,556	236%	46,195	16,833	29,362	274%
Transmission & Distribution	28,997	27,550	1,447	105%	266,563	247,950	18,613	108%
Depreciation	13,543	13,543	0	100%	121,943	121,940	3	100%
General & Administrative	12,654	8,229	4,425	154%	84,902	79,443	5,459	107%
Total Expense	81,924	53,562	28,362	153%	582,977	504,432	78,545	116%
Net Ordinary Income	-41,175	-13,203	-27,972	312%	-190,081	-125,040	-65,041	152%
Other Income/Expense								
Other Income								
Treatment Plant Project Charge	7,663	7,687	-24	100%	69,015	69,185	-170	100%
Viejas Grade Project Charge	1,586	1,592	-6	100%	14,284	14,322	-38	100%
Supp Debt Charge	4,519	4,533	-14	100%	40,699	40,798	-99	100%
Interest Income	688	1,084	-396	63%	7,722	9,750	-2,028	79%
Total Other Income	14,456	14,896	-440	97%	131,720	134,055	-2,335	98%
Other Expense								
Interest Expense	4,288	4,287	1	100%	32,490	38,766	-6,276	84%
Total Other Expense	4,288	4,287	1	100%	32,490	38,766	-6,276	84%
Net Other Income	10,168	10,609	-441	96%	99,230	95,289	3,941	104%
Net Income	-31,007	-2,594	-28,413	1,195%	-90,851	-29,751	-61,100	305%

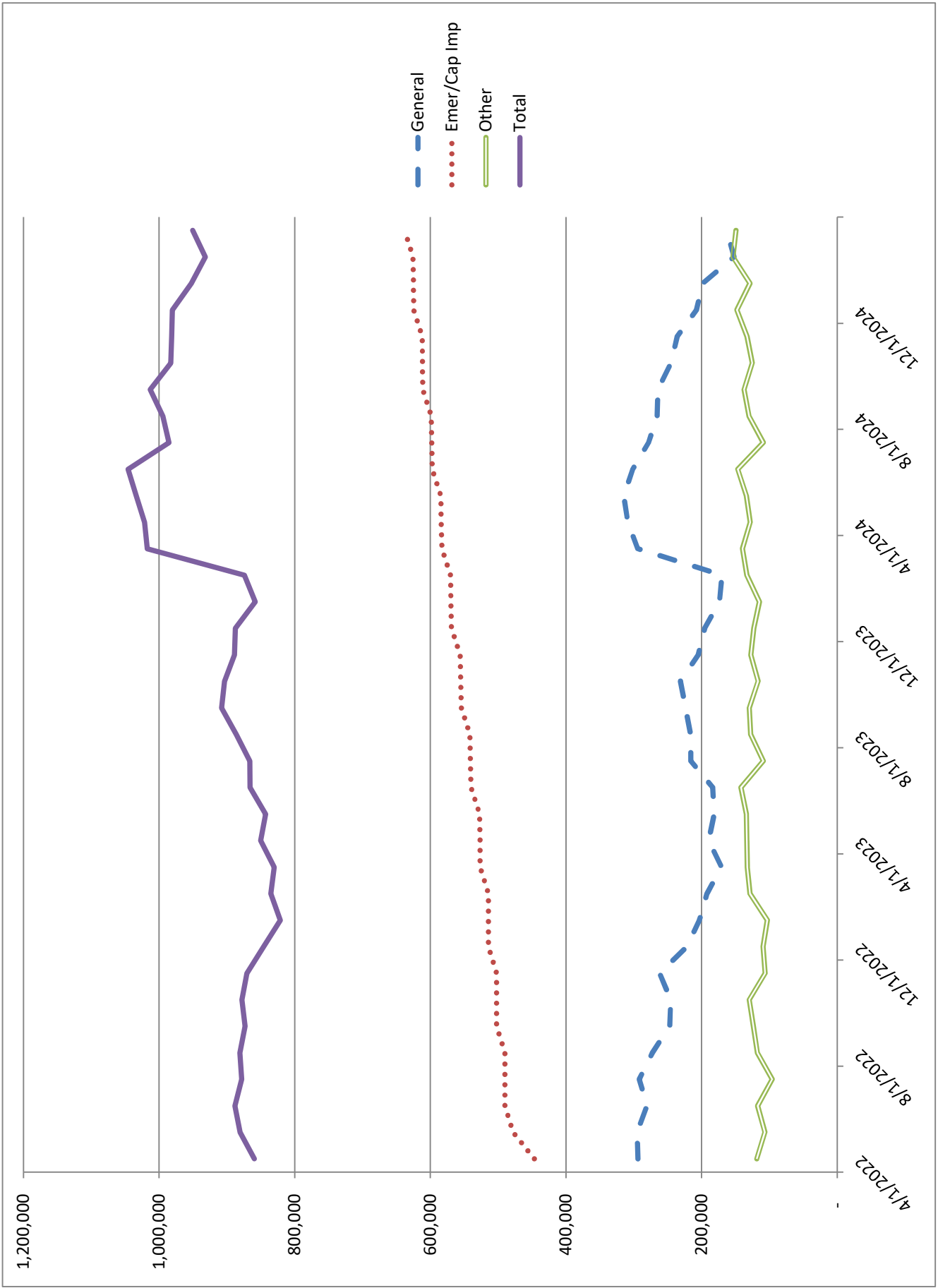
**Descanso Community Water District**  
**Statement of Cash Flows**  
January through March 2025

	<u>Jan - Mar 25</u>
<b>OPERATING ACTIVITIES</b>	
Net Income	-36,375
Adjustments to reconcile Net Income to net cash provided by operations:	
Customer Accounts Receivable:Customer Accounts Receivable	-9,848
Customer Accounts Receivable:Customer Accounts Receivable:Customer Prepayments	46
Allowance for Doubtful Accounts	5,052
Prepayments:G&A	-291
Prepayments:Taxes/Fees	366
Accts Pay - General	7,109
Accts Pay - Accrued	-71
Interest Accrued:Int Accr-LTD-Outside	-6,264
Net cash provided by Operating Activities	-40,274
<b>INVESTING ACTIVITIES</b>	
Accumulated Depreciation:Utility Plant-Acc Depr	40,628
Uncapitalized Fixed Assets -WIP:Well #5-Fe/Mn Plant:Task 09 (\$158.61K)	-13,124
Uncapitalized Fixed Assets -WIP:Well #6-Fe/Mn Plant:Task 09 (\$158.61K)	-13,124
Net cash provided by Investing Activities	14,379
<b>FINANCING ACTIVITIES</b>	
Current Portion of LTD:Loan Payable - SD County	147
Long-Term Debt:Loan Payable-SD County 1/2041	-4,613
Net cash provided by Financing Activities	-4,465
Net cash increase for period	-30,360
Cash at beginning of period	980,647
Cash at end of period	<u><u>950,287</u></u>

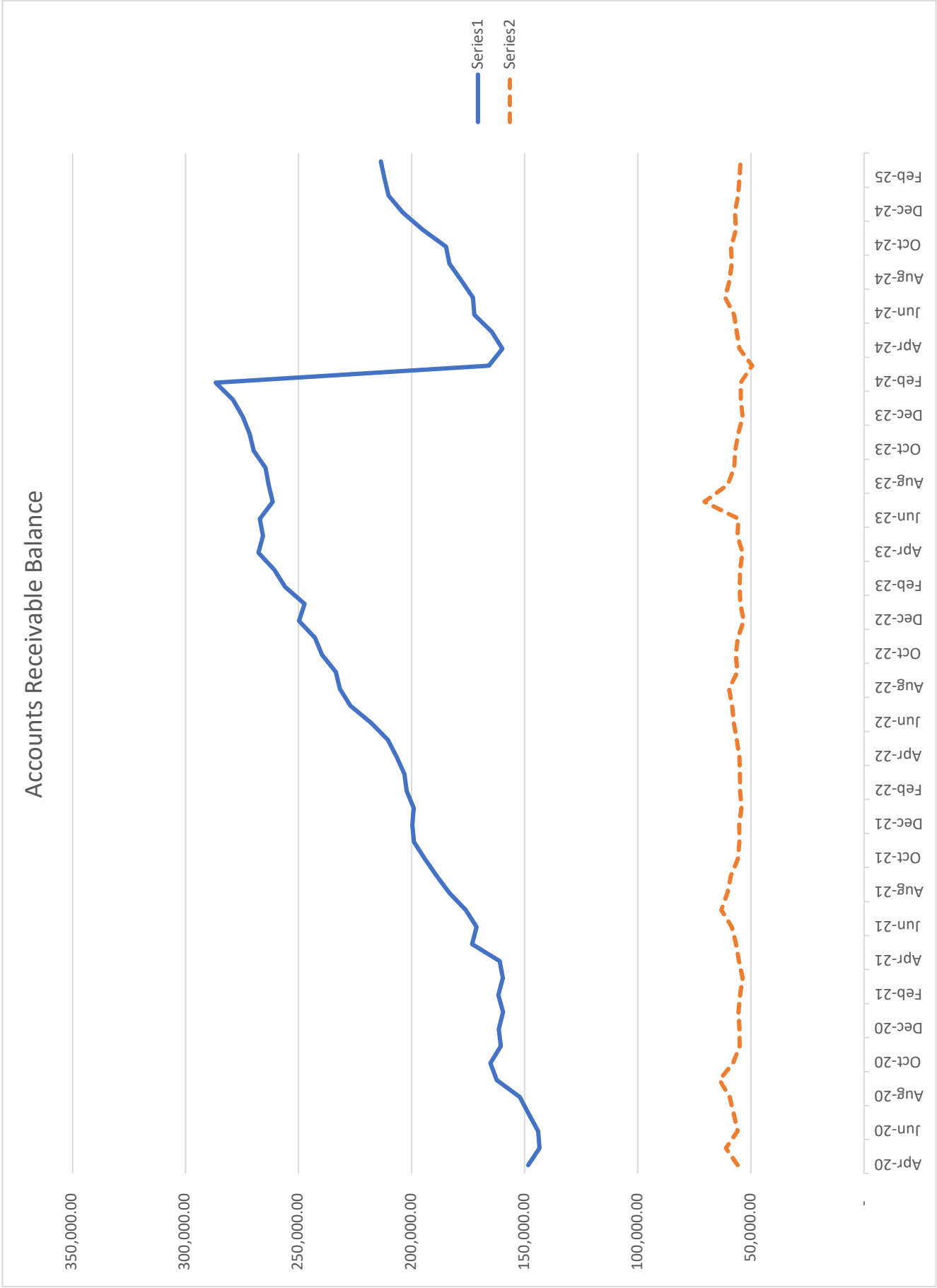
**Descanso Community Water District**  
**Statement of Cash Flows**  
July 2024 through March 2025

	<u>Jul '24 - Mar 25</u>
<b>OPERATING ACTIVITIES</b>	
Net Income	-90,847
Adjustments to reconcile Net Income to net cash provided by operations:	
Customer Accounts Receivable:Customer Accounts Receivable	-41,799
Customer Accounts Receivable:Customer Accounts Receivable:Customer Prepayments	427
Allowance for Doubtful Accounts	5,052
Prepayments:G&A	-109
Prepayments:Taxes/Fees	-380
Accts Pay - General	7,319
Accts Pay - Accrued	-187
Interest Accrued:Int Accr-LTD-Outside	-4,999
Current Portion of LTD:USDA Series 2021A Short Term	1,000
Net cash provided by Operating Activities	-124,523
<b>INVESTING ACTIVITIES</b>	
Accumulated Depreciation:Utility Plant-Acc Depr	121,939
Uncapitalized Fixed Assets -WIP	-138
Uncapitalized Fixed Assets -WIP:Well #5-Fe/Mn Plant:Task 08 (\$244430)	-8,268
Uncapitalized Fixed Assets -WIP:Well #6-Fe/Mn Plant:Task 08 (\$244430)	-8,268
Uncapitalized Fixed Assets -WIP:Well #5-Fe/Mn Plant:Task 09 (\$158.61K)	-15,348
Uncapitalized Fixed Assets -WIP:Well #6-Fe/Mn Plant:Task 09 (\$158.61K)	-15,348
Net cash provided by Investing Activities	74,568
<b>FINANCING ACTIVITIES</b>	
Current Portion of LTD:Loan Payable - US Bank	400
Current Portion of LTD:Loan Payable - SD County	147
Long-Term Debt:Loan Payable - US Bank 4/2038	-9,600
Long-Term Debt:Loan Payable-SD County 1/2041	-4,613
Long-Term Debt:USDA Series 2021A Long Term	-25,000
Long-Term Debt:USDA Series 2021B Long Term	-7,000
Net cash provided by Financing Activities	-45,665
Net cash increase for period	-95,620
Cash at beginning of period	1,045,908
Cash at end of period	<u><u>950,287</u></u>

DCWD Cash Flow Balances



Unaudited - No assurance is provided on these financial statements



Unaudited - No assurance is provided on these financial statements

**Item 7**

**ACCOUNTING SERVICES RENEWAL FPA 2025-2026:**

The Board will review the proposed accounting services renewal and take appropriate action.

**Notes:**

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1950 Cordell Court, Ste 101  
El Cajon, CA 92020  
619-442-3386

923 Seacoast Drive  
Imperial Beach, CA 91932  
619-423-7093

Board of Directors  
Descanso Community Water District  
PO Box 610  
Descanso, CA 91916-0610

May 30, 2025

## **Proposal for Extending Accounting Services**

**Honorable Board Members,**

First and most importantly, I must tell you how delighted I am to give you a bid for services.

HNK, CPAs provides you with over 100 years of combined tax, accounting, bookkeeping, and consulting experience. We have built our successful practice helping hundreds of businesses and individuals. We have won national and international recognition for creating management practice strategies to boost profits. We have been written up as well as having authored many articles and been noted in two books on practice management.

As CPAs, we know your information is absolutely confidential. We hold ourselves to standards higher than any other profession. In fact, our code of ethics and standards of conduct governed by California law insist upon this.

We are flexible. Should you want different services, we will immediately provide you with a change order listing out the estimated savings or increase in fees.

## **Proposal**

HNK, CPAs (formerly Nakawatase & Kaminsky, CPAs and Nakawatase & Co., CPAs) previously entered into an agreement on August 1, 2009 whereby HNK, CPAs would provide accounting services to the District. That agreement called for a term of one (1) year, with four (4) additional one (1) year terms. Effective August 1, 2013 the final option year commenced, leaving no further option years under the original agreement. That agreement has since been extended annually.

HNK, CPAs desires to extend its contract for one (1) additional year, maintaining all terms of that certain Agreement for Accounting Services for Descanso Community Water District dated August 1, 2009 and its amendments, if desirable by Descanso Community Water District. This extension is effective August 1, 2025 through July 31, 2026. Pursuant to Section 3.3.1 of the Agreement, the monthly fee for services performed under this Agreement will be \$1,290.88 (one thousand two hundred ninety and 88/100 dollars) as calculated in Exhibit A to this proposal and the Consumer Price Index extract (Exhibit B).

## **Unanticipated Services**

While the fixed price entitles your company to unlimited consultation with us, if your question or issue requires additional research and analysis beyond the consultation, that work will be subject to an additional price negotiation before the service is to be performed, and a Change Order will be issued before delivery of the additional service, with payment terms agreed to in advance.

We hate to do it, but we have the absolute right, without limitation and/or penalty, to stop all work in the event there is a dispute and/or delinquent payment. In extreme situations we may choose to terminate the engagement without completing the work. Reasons for termination may include, but are not limited to: failure on your part to provide the information needed to complete the work, failure to respond to inquiries completely or truthfully, failure to pay our fees in a reasonable time.

It is understood that any unpaid services that are outstanding at the date of termination are to be paid in full within 10 days from the date of termination.

Invoices are required to be paid within thirty days of the date mailed. Invoices not paid within the thirty-day period shall thereafter accrue interest at the rate of 1.5% per month until paid. In the event we hire an attorney to collect unpaid fees, you agree to pay reasonable attorney's fees incurred in collection of those unpaid fees.

If you agree that the above adequately sets forth the understanding of our mutual responsibilities, please authorize this Agreement and return it to our office by July 31, 2025. A copy is provided for your records.

Again, we would like to take this opportunity to express our appreciation to provide you with this proposal.



Sincerely,



Jason B. Kaminsky, CPA  
HNK, CPAs

Approved by and for Descanso Community Water District:

\_\_\_\_\_  
Name (Printed)

\_\_\_\_\_  
Title

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

Fee Adjustment for 2025/2026 Fiscal Year  
Pursuant to Agreement for Accounting Services for  
Descanso Community Water District dated August 1, 2009  
Section 3.3.1

**Base Index** - Consumer Price Index for All Urban Consumers (CPI-U), San Diego Jun. 2009

CPI-U Index	240.855
Base Fee for Services	\$ 500.00

**2022/2023 Fiscal Year**

Current CPI-U (Dec 2021)	325.241
Prior CPI-U (Dec 2020)	305.823
Increase/(Decrease)	6.35%

Fee for Services (2022/2023 FY)	<u>\$ 1,117.64</u>
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**2023/2024 Fiscal Year**

Current CPI-U (Dec 2022)	348.945
Prior CPI-U (Dec 2021)	325.241
Increase/(Decrease)	7.29%

Fee for Services (2023/2024 FY)	<u>\$ 1,199.10</u>
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**2024/2025 Fiscal Year**

Current CPI-U (Dec 2023)	365.529
Prior CPI-U (Dec 2022)	348.945
Increase/(Decrease)	4.75%

Fee for Services (2023/2024 FY)	<u>\$ 1,256.08</u>
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**2025/2026 Fiscal Year**


<b>Current CPI-U (Dec 2024)</b>	<b>375.656</b>
<b>Prior CPI-U (Dec 2023)</b>	<b>365.529</b>
<b>Increase/(Decrease)</b>	<b>2.77%</b>

<b>Fee for Services (2023/2024 FY)</b>	<b><u>\$ 1,290.88</u></b>
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## Databases, Tables & Calculators by Subject

 [Special Notices](#) 4/25/2024

Change Output Options:

From:  To:  

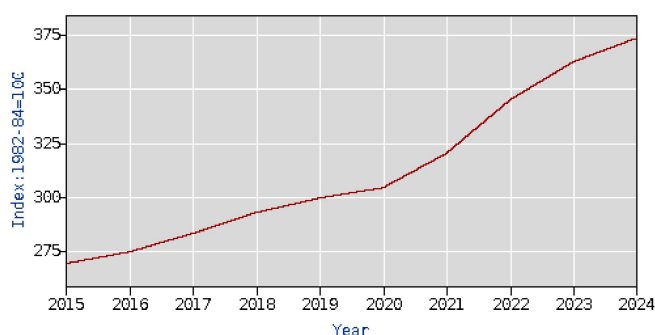
☐ include graphs ☐ include annual averages

[More Formatting Options](#) 

Data extracted on: May 13, 2025 (4:28:04 PM)

### Consumer Price Index for All Urban Consumers (CPI-U)

**Series Id:** CUURS49ESA0  
 Not Seasonally Adjusted  
**Series Title:** All items in San Diego-Carlsbad, CA, all urban consumers, not seasonally adjusted  
**Area:** San Diego-Carlsbad, CA  
**Item:** All items  
**Base Period:** 1982-84=100



Download:  [.xlsx](#)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual	HALF1	HALF2
2015													269.436	267.346	271.526
2016													274.732	272.628	276.837
2017											285.961		283.012	281.561	284.464
2018	288.331		290.810		289.243		295.185		295.883		293.858		292.547	290.076	295.018
2019	295.761		297.226		300.303		299.333		301.033		301.520		299.433	298.147	300.718
2020	302.564		302.589		301.317		305.611		304.443		306.334		303.932	302.040	305.823
2021	307.688		315.035		317.141		323.906		324.138		326.422		319.761	314.282	325.241
2022	332.990		339.852		343.502		347.462		350.721		348.145		344.416	339.886	348.945
2023	354.453		358.026		361.339		362.412		367.185		366.343		362.022	358.515	365.529
2024	367.917		370.858		372.858		375.072		376.221		375.860		373.321	370.987	375.656
2025	381.952		384.880												

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Telephone: 202-691-5200 Telecommunications Relay Service: 7-1-1 [www.bls.gov](http://www.bls.gov) [Contact Us](#)

**Item 8**

**AUDITOR SERVICES RENEWAL DCWD EL 2025:**

The Board will review the proposed auditor service renewal and take appropriate action.

**Notes:**

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May 1, 2025

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, 2025.

### **Audit Scope and Objectives**

We will audit the governmental activities and each major fund of the District, as of June 30, 2025 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 (SSARs) 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, 2025 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, 2026.

## 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
<b>Total</b>	<b>\$12,500</b>

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

**REMOVAL OF FUTURE LATE FEES FOR CUSTOMERS THAT SIGN A PAYMENT PLAN:**

The Board will review the following suggestion and take appropriate action:

- Waive the monthly late fee for customers who have set up a payment plan with us and are on time with their contracted monthly payments. This will only be for late fees accrued starting the month they signed their payment plan, and any late fees accrued before that month will stay on the account and will still be due.

**Notes:**

[illegible]

## Item 10

### ENGINEERING STATUS REPORT:

The district's engineer will present a project update to the board.

### Notes:

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## MEMORANDUM

<b>To:</b>	Maureen Phillips, Board President Descanso Community Water District	<b>Date:</b>	12 June 2025
<b>From:</b>	NV5, Inc. James F. Owens, PE	<b>Subject:</b>	2017 Water System Improvements
<b>Subject:</b>	Update to Board of Directors		

### Purpose of Memorandum

This memorandum provides updates on the status of the 2017 Water System Improvements Project (Project). Specifically, this memorandum provides an update on the status of construction of the Well Drilling and Destruction Project and the Iron and Manganese Treatment Facility Project.

### Well Drilling and Destruction Project

Stehly Brothers Drilling, Inc. (Stehly Brothers) completed the drilling and reaming of the new well (Well No. 7) and the placement of the well casing in February 2025. Following the step pump testing conducted on March 18, 2025 by Stehly Brothers, NV5 met with the State Water Resources Control Board, Department of Drinking Water (DDW) to review the well's initial production capacity and water quality, and to confirm DDW's required pump testing duration for determining the well's pumping capacity. DDW shared that they would not be able to accept constant rate pump test results prior to the dry season (August, September, October). As a result, construction efforts for the Well Drilling and Destruction project have been paused as of March 2025.

The principal remaining work items are the following:

- Constant rate pump testing – Initially planned for 72 hours (as contracted with Stehly), but may need to extend to up to 10 days. Results after 24 and 48 hours will be shared with DDW to gauge need to extending pump testing beyond 72 hours.
- Acquisition of samples during pump testing for Title 22 water quality analysis by DCWD's laboratory.
- Destruction of Well No. 6
- General site restoration to pre-construction conditions.

It is anticipated that the constant rate pump test will be conducted in August, which will determine the available pumping capacity of the well. During the pump test, NV5 will correspond with DDW regarding the required length of the pump tests to attempt to reduce costs. Following pump testing, Well No. 6 will be destroyed.

As a result of the well construction revisions, at least two contract change orders with Stehly Brothers will be required. Change Order Nos. 1 and 2 will be an increase in Stehly Brothers' contract amount. USDA has reviewed drafts of Change Order No. 1 and given a preliminary approval of several bid item changes. However, they have requested DCWD's legal counsel to review Bid Items No. 12, 30, and 32 regarding the increased unit costs for the drilling of the borehole and the 10-inch stainless steel casing. NV5 is preparing information for these items.

The anticipated amount of the future Change Order No. 3 will be a reduction in contract amount. The reduction in the contract amount would approximately offset the increases in the contract amount in Change Orders No. 1 and 2. The future change order is likely a compensation reduction, as the well abandonment will likely not be required and there should be less development of the well due to the open hole construction of the water bearing formation. Therefore, the final compensation to Stehly Brothers may be less than what was originally contracted. However, if additional pump testing time is required to confirm the well's capacity, compensation would need to be added.

At an upcoming Board Meeting (December), Final Acceptance of the well's construction and authorization to file a Notice of Completion should be considered for an agenda item.

### **Iron and Manganese Treatment Facility**

DCWD previously completed two public solicitations for bids for the construction of the iron and manganese treatment facility. A third public solicitation for bids was completed in January 2025. Two bids were received and opened on January 22, 2025. At its March board meeting, DCWD authorized issuing a Notice of Award to the low bidder, Jennette Company, Inc. (JCI), whose base bid price was \$3,199,379 with an additive bid item price of \$75,000 (solar panel).

Following issuance of the Notice of Award, JCI provided its bonds and certificate of insurance to DCWD for review. These should be reviewed by DCWD's legal counsel. The unexecuted construction contract has been prepared and is ready for circulation. After execution of the agreement, the Limited Notice to Proceed should be issued to JCI. This will allow long lead time items, such as the treatment equipment, programmable logic controller, and instruments, to be procured and fabricated prior to starting field construction efforts. The proposed treatment facility would commence field construction after Well No. 7's pump testing, site restoration, and Well No. 6 destruction. This would prevent two contractors working at the site simultaneously.

### **Overall Project Budget**

In April 2025 NV5 prepared an update to the overall USDA project budget, and presented this budget to DCWD staff. NV5 has reviewed this budget and potential capital sources for the additional funding required.

### **CLOMR Certification**

As the proposed treatment facility building is located within a FEMA-mapped flood zone (Zone AO), a Certified Letter of Map Revision (CLOMR) was required. FEMA has approved the CLOMR application documents. Following construction, certification of the elevation of the constructed improvements will be submitted to FEMA.

### **Environmental Monitoring**

The projects' environmental documentation calls for monitoring for cultural resources during earthwork activities by an archeologist and by a Native American monitor. For the Well Drilling and Destruction project, this was limited to initial well drilling activities and grading of an on-site earthen basin for temporary retention of mud, drilling cuttings, and water. The field monitoring of the temporary earthwork was completed by NV5's subconsultant, Tierra Environmental.

A future task order or an amendment to NV5's Task Order 09 would contain scope for archeological monitoring for the Iron and Manganese Treatment Facility project.

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OFFICES NATIONWIDE



## Item 11

### **EVALUATION OF FUNDING OPTIONS FOR DCWD PROJECT:**

Dan will go over the project budget and give the board all funding options available.

### **Notes:**

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**Item 12**

**DRAFT RATE STUDY:**

The board will review a draft rate study for DCWD.

**Notes:**

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# Descanso Community Water District Rate Study Report

Provided by: California Rural Water Association

The following conclusions were made based on 2024 actuals. All calculations are based on average usage per customer.

## Current Rates

Descanso Community Water District (CWD) has 316 current customers. All customers are residential consumers who pay a monthly base rate charged whether the meter is turned on or off. In addition, consumers pay a usage fee per 100 cubic feet sold.

WATER RATES	
Base Rate for Water Service	\$159.00
<i>The Base Rate will be charged every month regardless of water usage, and whether the meter is turned on or off.</i>	
Tier (Hundred Cubic Feet):	
0-1,600	\$2.53 per hundred cu ft.
1,601 and Up	\$4.50 per hundred cu ft.

*Our community's water meters are read each month. Please contact our office for any additional information.*

The base rate is broken down into the following format:

- Water Service Charge \$115.43
- Viejas Grade Project \$5.02
- Treatment Plant / Dedicated Well Line Project \$24.25
- Old Loan Payments \$14.30

Base Rate Total = \$159.00

The last rate increase Descanso CWD was in 2016/17, nine years ago.

## Descanso Community Infrastructure Project

Descanso CWD is in the process of constructing a new arsenic water treatment plant. This project is funded by USDA Rural Development but requires additional funding due to rising costs and the timeline of the project. The district board and management have decided on procuring a loan to move this project ahead. Two options are presented in this study one for the full loan amount and a second option utilizing district Capital Improvement Project (CIP) reserves.

## Descanso Funding Challenges

The district needs an additional \$3 million to complete the project. We are looking at two funding options. The first option, bond funding, presents the challenge of meeting debt requirements. The district will need to raise rates to meet a debt requirement of 1.2 or 120% meaning that the district must have enough revenue from water sales to meet its obligations and have 20% left over.

The other funding avenue we are pursuing is an additional USDA loan and the challenges there are the district is no longer considered disadvantage as the new census has an average MHI of \$112,000. Additionally, the current political climate has resulted in a workforce reduction in available loan specialists within the state level of USDA Rural Development which has made response time very slow.

## Rate Study Assumptions and Parameters

We have put together this rate study for your review to make a more informed decision as the district moves forward with the construction of the water treatment plant. Please remember, the last rate study that DCWD completed was done in 2016/17 and the last rate increase was in 2020/21.

The following rate study is presented in two formats with a loan of \$3,000,000, which will fund the rest of the project, and a loan of \$2,500,000 million, which considers the district utilizing reserves to reduce the loan balance down. The district currently shows about \$1,000,000 in cash reserves with \$650,000 available and not dedicated per the budget.

The rate study is done in a five-year format with incremental raises each year utilizing current budget numbers. You will see two studies or scenarios for each loan amount one is using a split between the base rate and usage fees set at an 80/20 percent split or 70/30 percent split.

The last page of the study titled RATES will give you the base rates and usage rates per each scenario. The matrix below illustrates the monthly increase needed to fund the project. The rate study breaks this down and shows the month-to-month effect on the rates when funding the needed amounts.

### Descanso Project Funding Scenario – Finance Bonding

Loan Amount	Interest Rate	Annual payment	Monthly Payment	Per Customer (316)
\$3,000,000	5%	\$195,154.00	\$16,263.00	\$52.00
\$2,500,000	5%	\$162,628.00	\$13,553.00	\$43.00

Scenarios 1 & 2: 70/30 split between Fixed and Variable (Usage) Fees

**Budget (70/30)**  
**Descanso Community Water District**

**Exhibit 2**

Inflation Factor (%): 2.00%  
 Date: 6/12/2025  
 System Number: 0

EXPENSES AND SOURCES OF FUNDS		2024-25	2025-26	2026-27	2027-28	2028-29
<b>OPERATIONS &amp; MAINTENANCE EXPENSES</b>						
Telemetry		600.00	612.00	624.24	636.72	649.46
Utilities (Electric)		18,000.00	18,360.00	18,727.20	19,101.74	19,483.78
Chemicals		30,000.00	30,600.00	31,212.00	31,836.24	32,472.96
Testing		5,070.00	5,171.40	5,274.83	5,380.32	5,487.93
Waste disposal		2,454.00	2,503.08	2,553.14	2,604.20	2,656.29
Repair & Maintenance		20,000.00	20,400.00	20,808.00	21,224.16	21,648.64
Security		1,032.00	1,052.64	1,073.69	1,095.17	1,117.07
Contract labor		329,568.00	336,159.36	342,882.55	349,740.20	356,735.00
Depreciation		162,567.00	165,818.34	169,134.71	172,517.40	175,967.75
<b>Total Operation and Maintenance Expenses:</b>		<b>569,291.00</b>	<b>580,676.82</b>	<b>592,290.36</b>	<b>604,136.16</b>	<b>616,218.89</b>
<b>GENERAL &amp; ADMINISTRATIVE EXPENSES</b>						
Telephone & Internet		2,220.00	2,264.40	2,309.69	2,355.88	2,403.00
Account & Audit		13,000.00	13,260.00	13,525.20	13,795.70	14,071.62
Bank Service Charges		948.00	966.96	986.30	1,006.03	1,026.15
Billing Supplies		1,600.00	1,632.00	1,664.64	1,697.93	1,731.89
Gen Liability Ins.		4,248.00	4,332.96	4,419.62	4,508.01	4,598.17
Legal		2,500.00	2,550.00	2,601.00	2,653.02	2,706.08
Licences, taxes, & Fees		4,900.00	4,998.00	5,097.96	5,199.92	5,303.92
Merchant Discount		120.00	122.40	124.85	127.34	129.89
Office Expenses		900.00	918.00	936.36	955.09	974.19
Postage		2,208.00	2,252.16	2,297.20	2,343.15	2,390.01
Rent, Town Hall		25,800.00	26,316.00	26,842.32	27,379.17	27,926.75
State Health Op Fee		3,025.00	3,085.50	3,147.21	3,210.15	3,274.36
Accounting Services		15,015.00	15,315.30	15,621.61	15,934.04	16,252.72
Loan Trust Trustee Fee		1,200.00	1,224.00	1,248.48	1,273.45	1,298.92
Website		600.00	612.00	624.24	636.72	649.46
Board Expenses		800.00	816.00	832.32	848.97	865.95
Bad Debt Expense		21,600.00	22,032.00	22,472.64	22,922.09	23,380.53
<b>Total General and Administrative Expenses:</b>		<b>100,684.00</b>	<b>102,697.68</b>	<b>104,751.63</b>	<b>106,846.67</b>	<b>108,983.60</b>
<b>TOTAL EXPENSES (Line 17+ Line 37):</b>		<b>669,975.00</b>	<b>683,374.50</b>	<b>697,041.99</b>	<b>710,982.83</b>	<b>725,202.49</b>
<b>NEW LOAN DEBT SERVICE</b>						
New Loan Debt Service (\$3 million loan)			195,154.00	195,154.00	195,154.00	195,154.00
New Loan Debt Service (\$2.5 million loan)			162,628.59	162,628.59	162,628.59	162,628.59
<b>SOURCE OF FUNDS / REVENUES RECEIVED (\$3 million loan)</b>						
Cash Revenues (Water rates)		663,881.36	876,305.70	893,831.82	911,708.45	929,942.62
Late Fees		6,215.00	6,339.30	6,466.09	6,595.41	6,727.32
<b>TOTAL REVENUE (Lines 47 through 48):</b>		<b>670,096.36</b>	<b>882,645.00</b>	<b>900,297.90</b>	<b>918,303.86</b>	<b>936,669.94</b>
<b>NET LOSS OR GAIN:</b>		<b>121.36</b>	<b>4,116.50</b>	<b>8,101.91</b>	<b>12,167.03</b>	<b>16,313.45</b>
<b>SOURCE OF FUNDS / REVENUES RECEIVED (\$2.5 million loan)</b>						
Cash Revenues (Water rates)		663,881.36	843,735.17	860,609.87	877,822.07	895,378.51
Late Fees		6,215.00	6,339.30	6,466.09	6,595.41	6,727.32
<b>TOTAL REVENUE (Lines 52 through 53):</b>		<b>670,096.36</b>	<b>850,074.47</b>	<b>867,075.95</b>	<b>884,417.47</b>	<b>902,105.82</b>
<b>NET LOSS OR GAIN:</b>		<b>121.36</b>	<b>4,071.38</b>	<b>7,405.37</b>	<b>10,806.05</b>	<b>14,274.75</b>

**Fixed vs Variable Expenses (70/30)**  
**Descanso Community Water District**



**Exhibit 3**

	Amount	% Fixed	\$ Fixed	\$ Variable
<b>OPERATIONS &amp; MAINTENANCE EXPENSES</b>				
Telemetry	\$612.00	70%	\$428	\$184
Utilities (Electric)	\$18,360.00	70%	\$12,852	\$5,508
Chemicals	\$30,600.00	70%	\$21,420	\$9,180
Testing	\$5,171.40	70%	\$3,620	\$1,551
Waste disposal	\$2,503.08	70%	\$1,752	\$751
Repair & Maintenance	\$20,400.00	70%	\$14,280	\$6,120
Security	\$1,052.64	70%	\$737	\$316
Contract labor	\$336,159.36	70%	\$235,312	\$100,848
Depreciation	\$165,818.34	70%	\$116,073	\$49,746
Total Operation and Maintenance Expenses:	\$580,676.82		\$406,474	\$174,203
<b>GENERAL &amp; ADMINISTRATIVE EXPENSES</b>				
Telephone & Internet	\$2,264.40	70%	\$1,585	\$679
Account & Audit	\$13,260.00	70%	\$9,282	\$3,978
Bank Service Charges	\$966.96	70%	\$677	\$290
Billing Supplies	\$1,632.00	70%	\$1,142	\$490
Gen Liability Ins.	\$4,332.96	70%	\$3,033	\$1,300
Legal	\$2,550.00	70%	\$1,785	\$765
Licences, taxes, & Fees	\$4,998.00	70%	\$3,499	\$1,499
Merchant Discount	\$122.40	70%	\$86	\$37
Office Expenses	\$918.00	70%	\$643	\$275
Postage	\$2,252.16	70%	\$1,577	\$676
Rent, Town Hall	\$26,316.00	70%	\$18,421	\$7,895
State Health Op Fee	\$3,085.50	70%	\$2,160	\$926
Accounting Services	\$15,315.30	70%	\$10,721	\$4,595
Loan Trust Trustee Fee	\$1,224.00	70%	\$857	\$367
Website	\$612.00	70%	\$428	\$184
Board Expenses	\$816.00	70%	\$571	\$245
Bad Debt Expense	\$22,032.00	70%	\$15,422	\$6,610
Total General and Administrative Expenses:	\$102,697.68		\$71,888.38	\$30,809.30
<b>NEW LOAN DEBT SERVICE</b>				
New Loan Debt Service (\$3 million loan)	\$195,154.00	70%	\$136,608	\$58,546
New Loan Debt Service (\$2.5 million loan)	\$162,628.59	70%	\$113,840	\$48,789
<b>TOTAL EXPENSES (\$3 MILLION LOAN)</b>				
Total All Expenses To Be Funded By Rate Revenue	\$878,528.50		\$614,969.95	\$263,558.55
Fixed-Variable as % of all Expenses			70.00%	30.00%
<b>TOTAL EXPENSES (\$2.5 MILLION LOAN)</b>				
Total All Expenses	\$846,003.09		\$592,202.16	\$253,800.93
Fixed-Variable as % of all Expenses			70.00%	30.00%

Assume this relationship between fix/var expenses remains the same over the next five years.



## Rates (70/30 with \$3 million loan)

Total Rate Revenue (Base and Estimated Usage)	
Needed Total Revenue	\$ 878,528.50
Estimated Water Revenue with Below rates	\$ 876,305.70

### Base Rates

Reccomendations Based on Budget & Fixed vs. Variable Expenses	
Recommended Average Yearly Base Rate Per Customer	\$ 1,946.11
Recommended Average Monthly Base Rate Per Customer	\$ 162.18
Recommended Total Yearly Base Rate Revenue	\$ 614,969.95

Explanation of Increase	
Current Base Rate	\$ 159.00
Proposed Base Rate	\$162.00
\$ Increase	\$ 3.00

### Base Rate Calculation

		2025-26	2026-27	2027-28	2028-29	2029-30
Customer Type	# of Connections	Proposed Base Rate	2.00%	2.00%	2.00%	2.00%
Residential	316.00	\$162.00	\$165.24	\$168.54	\$171.92	\$175.35
Total # of Connections	316.00					
Average Total Monthly Base Rate Per Customer		\$162.00				
Average Total Yearly Base Rate Per Customer		\$1,944.00	\$ 1,982.88	\$ 2,022.54	\$ 2,062.99	\$ 2,104.25
Total Yearly Revenue from Base Rate		\$614,304.00	\$626,590.08	\$639,121.88	\$651,904.32	\$664,942.41

### Usage Rates

Recommended Yearly Usage Revenue \$ 263,558.55

### Usage Rate Calculation

			2025-26	2026-27	2027-28	2028-29	2029-30
Tier	Tier Cap Amount in Cubic Feet	Price per 100/cubic feet	Example Monthly Usage Bill	2.00%	2.00%	2.00%	2.00%
1 (up to)	1,600	\$9.29	\$51.51	\$9.47	\$9.66	\$9.85	\$10.05
2	1,601	\$16.52	\$69.09	\$16.85	\$17.18	\$17.53	\$17.88
Estimated Yearly Usage Revenue			\$262,001.70	\$267,241.74	\$272,586.57	\$278,038.30	\$283,599.07

## Rates (70/30 with \$2.5 million loan)

Total Rate Revenue (Base and Estimated Usage)	
Needed Total Revenue	\$ 846,003.09
Estimated Water Revenue with Below rates	\$ 843,735.17

### Base Rates

Reccomendations Based on Budget & Fixed vs. Variable Expenses	
Recommended Average Yearly Base Rate Per Customer	\$ 1,874.06
Recommended Average Monthly Base Rate Per Customer	\$ 156.17
Recommended Total Yearly Base Rate Revenue	\$ 592,202.16

Explanation of Increase	
Current Base Rate	\$ 159.00
Proposed Base Rate	\$160.00
\$ Increase	\$ 1.00

### Base Rate Calculation

		2025-26	2026-27	2027-28	2028-29	2029-30
Customer Type	# of Connections	Proposed Base Rate	2.00%	2.00%	2.00%	2.00%
Residential	316.00	\$160.00	\$163.20	\$166.46	\$169.79	\$173.19
Total # of Connections	316.00					
Average Total Monthly Base Rate Per Customer		\$160.00				
Average Total Yearly Base Rate Per Customer		\$1,920.00	\$ 1,958.40	\$ 1,997.57	\$ 2,037.52	\$ 2,078.27
Total Yearly Revenue from Base Rate		\$606,720.00	\$618,854.40	\$631,231.49	\$643,856.12	\$656,733.24

### Usage Rates

Recommended Yearly Usage Revenue \$ 253,800.93

### Usage Rate Calculation

			2025-26	2026-27	2027-28	2028-29	2029-30
Tier	Tier Cap Amount in Cubic Feet	Price per 100/cubic feet	Example Monthly Usage Bill	2.00%	2.00%	2.00%	2.00%
1 (up to)	1,600	\$8.40	\$46.60	\$8.57	\$8.74	\$8.91	\$9.09
2	1,601	\$14.94	\$62.50	\$15.24	\$15.54	\$15.85	\$16.17
Estimated Yearly Usage Revenue			\$237,015.17	\$241,755.47	\$246,590.58	\$251,522.39	\$256,552.84



### Scenarios 3 & 4: 80/20 split between Fixed and Variable (Usage) Fees

# Budget (80/20)

## Descanso Community Water District

# Exhibit 2

Inflation Factor (%): 2.00%

Date: 6/12/2025

System Number: 0

EXPENSES AND SOURCES OF FUNDS		2024-25	2025-26	2026-27	2027-28	2028-29
<b>OPERATIONS &amp; MAINTENANCE EXPENSES</b>						
Telemetry		600.00	612.00	624.24	636.72	649.46
Utilities (Electric)		18,000.00	18,360.00	18,727.20	19,101.74	19,483.78
Chemicals		30,000.00	30,600.00	31,212.00	31,836.24	32,472.96
Testing		5,070.00	5,171.40	5,274.83	5,380.32	5,487.93
Waste disposal		2,454.00	2,503.08	2,553.14	2,604.20	2,656.29
Repair & Maintenance		20,000.00	20,400.00	20,808.00	21,224.16	21,648.64
Security		1,032.00	1,052.64	1,073.69	1,095.17	1,117.07
Contract labor		329,568.00	336,159.36	342,882.55	349,740.20	356,735.00
Depreciation		162,567.00	165,818.34	169,134.71	172,517.40	175,967.75
<b>Total Operation and Maintenance Expenses:</b>		<b>569,291.00</b>	<b>580,676.82</b>	<b>592,290.36</b>	<b>604,136.16</b>	<b>616,218.89</b>
<b>GENERAL &amp; ADMINISTRATIVE EXPENSES</b>						
Telephone & Internet		2,220.00	2,264.40	2,309.69	2,355.88	2,403.00
Account & Audit		13,000.00	13,260.00	13,525.20	13,795.70	14,071.62
Bank Service Charges		948.00	966.96	986.30	1,006.03	1,026.15
Billing Supplies		1,600.00	1,632.00	1,664.64	1,697.93	1,731.89
Gen Liability Ins.		4,248.00	4,332.96	4,419.62	4,508.01	4,598.17
Legal		2,500.00	2,550.00	2,601.00	2,653.02	2,706.08
Licences, taxes, & Fees		4,900.00	4,998.00	5,097.96	5,199.92	5,303.92
Merchant Discount		120.00	122.40	124.85	127.34	129.89
Office Expenses		900.00	918.00	936.36	955.09	974.19
Postage		2,208.00	2,252.16	2,297.20	2,343.15	2,390.01
Rent, Town Hall		25,800.00	26,316.00	26,842.32	27,379.17	27,926.75
State Health Op Fee		3,025.00	3,085.50	3,147.21	3,210.15	3,274.36
Accounting Services		15,015.00	15,315.30	15,621.61	15,934.04	16,252.72
Loan Trust Trustee Fee		1,200.00	1,224.00	1,248.48	1,273.45	1,298.92
Website		600.00	612.00	624.24	636.72	649.46
Board Expenses		800.00	816.00	832.32	848.97	865.95
Bad Debt Expense		21,600.00	22,032.00	22,472.64	22,922.09	23,380.53
<b>Total General and Administrative Expenses:</b>		<b>100,684.00</b>	<b>102,697.68</b>	<b>104,751.63</b>	<b>106,846.67</b>	<b>108,983.60</b>
<b>TOTAL EXPENSES (Line 17+ Line 37):</b>		<b>669,975.00</b>	<b>683,374.50</b>	<b>697,041.99</b>	<b>710,982.83</b>	<b>725,202.49</b>
<b>NEW LOAN DEBT SERVICE</b>						
New Loan Debt Service (\$3 million loan)			195,154.00	195,154.00	195,154.00	195,154.00
New Loan Debt Service (\$2.5 million loan)			162,628.59	162,628.59	162,628.59	162,628.59
<b>SOURCE OF FUNDS / REVENUES RECEIVED (\$3 million loan)</b>						
Cash Revenues (Water rates)		663,881.36	876,425.77	893,954.28	911,833.37	930,070.04
Late Fees		6,215.00	6,339.30	6,466.09	6,595.41	6,727.32
<b>TOTAL REVENUE (Lines 47 through 48):</b>		<b>670,096.36</b>	<b>882,765.07</b>	<b>900,420.37</b>	<b>918,428.78</b>	<b>936,797.35</b>
<b>NET LOSS OR GAIN:</b>		<b>121.36</b>	<b>4,236.57</b>	<b>8,224.38</b>	<b>12,291.95</b>	<b>16,440.87</b>
<b>SOURCE OF FUNDS / REVENUES RECEIVED (\$2.5 million loan)</b>						
Cash Revenues (Water rates)		663,881.36	844,170.56	861,053.97	878,275.05	895,840.55
Late Fees		6,215.00	6,339.30	6,466.09	6,595.41	6,727.32
<b>TOTAL REVENUE (Lines 52 through 53):</b>		<b>670,096.36</b>	<b>850,509.86</b>	<b>867,520.06</b>	<b>884,870.46</b>	<b>902,567.87</b>
<b>NET LOSS OR GAIN:</b>		<b>121.36</b>	<b>4,506.77</b>	<b>7,849.48</b>	<b>11,259.04</b>	<b>14,736.79</b>

**Fixed vs Variable Expenses (70/30)**  
**Descanso Community Water District**



**Exhibit 3**

	Amount	% Fixed	\$ Fixed	\$ Variable
<b>OPERATIONS &amp; MAINTENANCE EXPENSES</b>				
Telemetry	\$612.00	80%	\$490	\$122
Utilities (Electric)	\$18,360.00	80%	\$14,688	\$3,672
Chemicals	\$30,600.00	80%	\$24,480	\$6,120
Testing	\$5,171.40	80%	\$4,137	\$1,034
Waste disposal	\$2,503.08	80%	\$2,002	\$501
Repair & Maintenance	\$20,400.00	80%	\$16,320	\$4,080
Security	\$1,052.64	80%	\$842	\$211
Contract labor	\$336,159.36	80%	\$268,927	\$67,232
Depreciation	\$165,818.34	80%	\$132,655	\$33,164
Total Operation and Maintenance Expenses:	\$580,676.82		\$464,541	\$116,135
<b>GENERAL &amp; ADMINISTRATIVE EXPENSES</b>				
Telephone & Internet	\$2,264.40	80%	\$1,812	\$453
Account & Audit	\$13,260.00	80%	\$10,608	\$2,652
Bank Service Charges	\$966.96	80%	\$774	\$193
Billing Supplies	\$1,632.00	80%	\$1,306	\$326
Gen Liability Ins.	\$4,332.96	80%	\$3,466	\$867
Legal	\$2,550.00	80%	\$2,040	\$510
Licences, taxes, & Fees	\$4,998.00	80%	\$3,998	\$1,000
Merchant Discount	\$122.40	80%	\$98	\$24
Office Expenses	\$918.00	80%	\$734	\$184
Postage	\$2,252.16	80%	\$1,802	\$450
Rent, Town Hall	\$26,316.00	80%	\$21,053	\$5,263
State Health Op Fee	\$3,085.50	80%	\$2,468	\$617
Accounting Services	\$15,315.30	80%	\$12,252	\$3,063
Loan Trust Trustee Fee	\$1,224.00	80%	\$979	\$245
Website	\$612.00	80%	\$490	\$122
Board Expenses	\$816.00	80%	\$653	\$163
Bad Debt Expense	\$22,032.00	80%	\$17,626	\$4,406
Total General and Administrative Expenses:	\$102,697.68		\$82,158.14	\$20,539.54
<b>NEW LOAN DEBT SERVICE</b>				
New Loan Debt Service (\$3 million loan)	\$195,154.00	80%	\$156,123	\$39,031
New Loan Debt Service (\$2.5 million loan)	\$162,628.59	80%	\$130,103	\$32,526
<b>TOTAL EXPENSES (\$2.5 MILLION LOAN)</b>				
Total All Expenses To Be Funded By Rate Revenue	\$878,528.50		\$702,822.80	\$175,705.70
Fixed-Variable as % of all Expenses			80.00%	20.00%
<b>TOTAL EXPENSES (\$2.5 MILLION LOAN)</b>				
Total All Expenses	\$846,003.09		\$676,802.47	\$169,200.62
Fixed-Variable as % of all Expenses			80.00%	20.00%

Assume this relationship between fix/var expenses remains the same over the next five years.

## Rates (80/20 with \$3 million loan)

Total Rate Revenue (Base and Estimated Usage)	
Needed Total Revenue	\$ 878,528.50
Estimated Water Revenue with Below rates	\$ 876,425.77

### Base Rates

Recommendations Based on Budget & Fixed vs. Variable Expenses		Explanation of Increase	
Recommended Average Yearly Base Rate Per Customer	\$ 2,224.12	Current Base Rate	\$ 159.00
Recommended Average Monthly Base Rate Per Customer	\$ 185.34	Proposed Base Rate	\$185.00
Recommended Total Yearly Base Rate Revenue	\$ 702,822.80	\$ Increase	\$ 26.00

### Base Rate Calculation

		2025-26	2026-27	2027-28	2028-29	2029-30
Customer Type	# of Connections	Proposed Base Rate	2.00%	2.00%	2.00%	2.00%
Residential	316.00	\$185.00	\$188.70	\$192.47	\$196.32	\$200.25
<b>Total # of Connections</b>	<b>316.00</b>					
Average Total Monthly Base Rate Per Customer		\$185.00				
Average Total Yearly Base Rate Per Customer		\$2,220.00	\$ 2,264.40	\$ 2,309.69	\$ 2,355.88	\$ 2,403.00
Total Yearly Revenue from Base Rate		\$701,520.00	\$715,550.40	\$729,861.41	\$744,458.64	\$759,347.81

### Usage Rates

Recommended Yearly Usage Revenue \$ 175,705.70

### Usage Rate Calculation

		2025-26	2026-27	2027-28	2028-29	2029-30
Tier	Tier Cap Amount in Cubic Feet	Price per 100/cubic feet	Example Monthly Usage Bill	2.00%	2.00%	2.00%
1 (up to)	1,600	\$6.20	\$34.39	\$6.32	\$6.45	\$6.58
2	1,601	\$11.03	\$63.25	\$11.25	\$11.47	\$11.70
Estimated Yearly Usage Revenue		\$174,905.77	\$178,403.88	\$181,971.96	\$185,611.40	\$189,323.63

## Rates (80/20 with \$2.5 million loan)

Total Rate Revenue (Base and Estimated Usage)	
Needed Total Revenue	\$ 846,003.09
Estimated Water Revenue with Below rates	\$ 844,170.56

### Base Rates

Recommendations Based on Budget & Fixed vs. Variable Expenses		Explanation of Increase	
Recommended Average Yearly Base Rate Per Customer	\$ 2,141.78	Current Base Rate	\$ 159.00
Recommended Average Monthly Base Rate Per Customer	\$ 178.48	Proposed Base Rate	\$178.00
Recommended Total Yearly Base Rate Revenue	\$ 676,802.47	\$ Increase	\$ 19.00

### Base Rate Calculation

		2025-26	2026-27	2027-28	2028-29	2029-30
Customer Type	# of Connections	Proposed Base Rate	2.00%	2.00%	2.00%	2.00%
Residential	316.00	\$178.00	\$181.56	\$185.19	\$188.90	\$192.67
<b>Total # of Connections</b>	<b>316.00</b>					
Average Total Monthly Base Rate Per Customer		\$178.00				
Average Total Yearly Base Rate Per Customer		\$2,136.00	\$ 2,178.72	\$ 2,222.29	\$ 2,266.74	\$ 2,312.08
Total Yearly Revenue from Base Rate		\$674,976.00	\$688,475.52	\$702,245.03	\$716,289.93	\$730,615.73

### Usage Rates

Recommended Yearly Usage Revenue \$ 169,200.62

### Usage Rate Calculation

		2025-26	2026-27	2027-28	2028-29	2029-30
Tier	Tier Cap Amount in Cubic Feet	Price per 100/cubic feet	Example Monthly Usage Bill	2.00%	2.00%	2.00%
1 (up to)	1,600	\$6.00	\$33.26	\$6.12	\$6.24	\$6.36
2	1,601	\$10.67	\$57.95	\$10.88	\$11.10	\$11.32
Estimated Yearly Usage Revenue		\$169,194.56	\$172,578.45	\$176,030.02	\$179,550.62	\$183,141.63

**Item 13**

**GENERAL MANAGER’S REPORT:**

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

- A. GM Report
- B. Q&A

**Notes:**

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# **DCWD OPERATIONS REPORT**

**June 17th, 2025**

## **SUMMARY**

- Normal day to day operations of the district
- Abigail, Cameron and Anthony have been changing out old/dead meters around the district.
- We had Liquivision come out to do the tank cleaning and inspection, but when they arrived and our tanks weren't drained, they said they would have to reschedule again. The tanks were not drained due to their project manager telling us not to and we have not yet heard from them regarding a reschedule.
- We have been working on keeping weeds and vegetation away from hydrants, tanks and well sites.
- A new service was installed on Manzanita Dr.
- Fixed a leak on Pila Wee Wee due to previous repair that failed.
- We have updated the chemical, safety hazard and no trespassing signs at Well 5 and throughout the district.

## **3 MONTHS LOOK AHEAD**

- Get the tanks inspected and cleaned- possibly find a new company to do so.
- Continue changing out the old/dead meters.
- Change out the broken blow-off valves on River.
- General maintenance on the trucks.
- Continuing with usual routines such as daily rounds, meter reading, weekly deposits and billing.
- Purchase a tractor for the district.
- Routine flushing.
- Keep up with the late fee routine we've started.
- Changing 2" PRV off Viejas Grade as we believe the old one has been causing pressure issues for customers on that main.
- Continuing upkeep, maintenance, and keeping up with state regulations for Well 5.
- Adding more up to date chemical dosing equipment for well 5.
- Repainting hydrants and blow off valves.

### Item 14

**DCWD BOARD OF DIRECTOR'S NEWSLETTER:**

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

**Notes:**

[illegible]

**Item 15**

**OTHER ITEMS DIRECTLY RELATED TO THE ABOVE-DESCRIBED MATTERS AS MAY BE BROUGHT BEFORE THE BOARD OF DIRECTORS.**

**Notes:**

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**Item 16**

**MOTION TO ADJOURN.**

**Notes:**

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