



**DESCANSO
COMMUNITY
WATER DISTRICT**

**Special Meeting
January 12th, 2021**

POSTED:

NOTICE

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

Tuesday, January 12, 2021, 2:00 pm

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

AGENDA

1. **CALL TO ORDER, PLEDGE OF ALLEGIANCE.**
2. **ROLL CALL.**
3. **APPROVAL OF AGENDA.**
4. **PUBLIC COMMENT:** An opportunity for the public to comment on any topic that is within the jurisdiction of the Board and not on this agenda. No Board action is authorized for items not on this agenda. The total amount of time allocated for public comment may be limited, and each speaker may be limited to no more than 3 minutes (Brown Act, Section 54954.3).
5. **ELECTION OF OFFICERS FOR 2021:** The Board will nominate and vote to elect members of the Board to the Offices of District Board President, District Board Vice-President and District Finance Officer for the Descanso Community Water District Board of Directors for the 2021 calendar year.
6. **BOARD AUTHORIZATION OF SIGNER'S FOR MUFG UNION BANK:** Authorization of Julianna Meeks and Dan DeMoss as signer's for Funds transfers with MUFG Union Bank, N.A
7. **APPROVAL OF THE MINUTES:** The Board will review the draft minutes from the following meetings and take appropriate action:
 - Special Meeting held on July 21st, 2020
 - Board Meeting held on September 15th, 2020
8. **PRESENTATION OF THE 2019-2020 AUDIT:** The District's accountant will present the 2019-2020 audit to the Board for approval.
9. **FINANCIAL REPORT:** The District's accountant will present the financial report to the Board. The Board will consider approval and take appropriate action. Final Acceptance for Viejas Boulevard Pipeline Improvements
10. **VIEJAS BOULEVARD PIPELINE IMPROVEMENTS:** Authorize Staff to File Notice of Completion
11. **AMENDMENT TO NV5 TASK ORDER 11 (CLOMR)**
12. **INCREASE COMPENSATION FOR NV5'S TASK ORDER 11 BY \$5,910.00:** NV5's work is complete; there is no change in NV5's scope of services.
13. **AMENDMENT TO NV5 TASK ORDER 08 (TREATMENT FACILITY DESIGN)**

14. **INCREASE COMPENSATION FOR NV5’S TASK ORDER 11 BY \$41,410.00:** NV5’s work is complete; there is no change in NV5’s scope of services.
15. **GENERAL MANAGER’S REPORT:** The GM will provide a report for activities occurring since the last meeting.
 - A. Engineering and Project Status Report.
 - B. 2020 Water Sales vs. Production.
 - C. Q&A.
16. **DCWD BOARD OF DIRECTORS NEWSLETTER:** The Board will discuss a draft outline of the DCWD Board of Directors Newsletter and take appropriate action.
17. **OTHER ITEMS DIRECTLY RELATED TO THE ABOVE-DESCRIBED MATTERS AS MAY BE BROUGHT BEFORE THE BOARD OF DIRECTORS**
18. **MOTION TO ADJOURN**

Board of Directors		
Maureen Phillips President (619) 445-6042	Gary Sanner Vice President (619) 445-9138	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 March 16th, 2021.

Item 1

CALL TO ORDER, PLEDGE OF ALLEGIANCE

Item 2

ROLL CALL:

1. Lee Johnson
2. Dan DeMoss
4. Gary Sanner
5. Maureen Phillips

Item 3

APPROVAL OF AGENDA:

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

Notes:

Item 4

PUBLIC COMMENT:

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

Notes:

Item 5

ELECTION OF OFFICERS FOR 2021:

The Board will nominate and vote to elect members of the Board to the Offices of District Board President, District Board Vice-President and District Finance Officer for the Descanso Community Water District Board of Directors for the 2021 calendar year.

Notes:

Item 6

BOARD AUTHORIZATION OF SIGNER'S FOR MUFG UNION BANK:

Authorization of Julianna Meeks and Dan DeMoss as signer's for funds transfers with MUFG Union Bank, N.A.

Notes:

Item 7

APPROVAL OF THE MINUTES:

The Board will review the draft minutes from the following meetings:

- Special Board Meeting held on July 21st, 2020
- Regular Board Meeting held on September 15th, 2020

Notes:

Minutes

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

*Tuesday, July 21, 2020 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 5:00 PM
2. **ROLL CALL.** Members present were Phillips, Sanner, and Johnson. General Manager Dan DeMoss with SUSP and SUSP Operations Manager Julianna Meeks. James Owens NV5 and Jason Kaminsky with Nakawatase and Kaminsky.
3. **APPROVAL OF AGENDA.** The agenda was approved unanimously. A motion was given by Sanner and a second by Johnson all were in favor.
4. **PUBLIC COMMENT:** Bob Merigan expressed concerns on the placement of the airgaps above ground. DeMoss explained that these items have been placed and the concerns should have been brought up during the planning phase of the project over the last several years.
5. **APPROVAL OF THE MINUTES OF THE December 17th, 2019 MINUTES:** The Board reviewed the December 17, 2019 Minutes. A motion was given by Sanner and a second by Johnson, all were in favor of approval.
6. **FINANCIAL REPORT:** Jason with Nakawatase & Kaminsky went over the financial reports and answered any questions. No action required.
7. **PROPOSED FY 2020/2021 BUDGET:**
Jason went over the proposed budget and answered questions. Johnson if the new census would change grant eligibility. DeMoss said there is a possibility, but we will have to see how it comes out. The Budget was excepted unanimously with a motion from Johnson and a second from Sanner, all were in favor.
8. **ACCOUNTING SERVICE RENEWAL:**
The Board approved unanimously to continue accounting service with Nakawatase & Kaminsky, CPA's, LLP for service through July 31, 2021. A motion was given by Sanner and a second by Johnson, all were in favor.
9. **GENERAL MANAGERS REPORT:**
General Manager DeMoss went of the GM reports in the Board packet and answered any questions. At this time James Owens with NV5 also went over project updates.
10. **DCWD BOARD OF DIRECTORS NEWSLETTER:**

There were no items and no action required on the newsletter

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

President Phillips would like SUSP to search for new legal counsel once the project is complete.

12. **MOTION TO ADJOURN:**

A motion was given by Sanner and a second by Johnson to adjourn the meeting at 7:40 PM.

TAPE RECORDING FROM MEETING WAS INAUDIBLE, DUE TO MEETING BEING HELD OUTSIDE BECAUSE OF COVID 19. TOO MUCH OVER HEAD NOISE.

Board of Directors		
Maureen Phillips President (619) 445-6042	Gary Sanner Vice President (619) 445-9138	Lee Johnson Finance Officer (619) 445-4122
	Vacant Director	Dan DeMoss General Manager (916) 616-7761

Minutes

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

*Tuesday, September 15th, 2020 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 5:00 PM
2. **ROLL CALL.** Members present were Phillips, Sanner, and Johnson. Operations Manager Julianna Meeks with SUSP and SUSP Field Manager Travis Creamer. Jason Kaminsky with Nakawatase and Kaminsky.
3. **APPROVAL OF AGENDA.** The agenda was approved unanimously. A motion was given by Johnson and a second by Sanner all were in favor.
4. **PUBLIC COMMENT:** None
5. **ELECTION OF OFFICERS:** Johnson moved that we table this item till the next meeting, A second was made by Phillips. All were in favor.
6. **APPROVAL OF THE MINUTES OF THE July 21st, 2020 MINUTES:** Johnson moved that we table these minutes till the next meeting, for not enough time to review. A second was made by Sanner. All were in favor.
7. **PRESENTATION OF THE 2019-2020 AUDIT:** Auditor did not make it to the meeting. A motion was given by Sanner and a second by Johnson to table until next meeting. All were in favor.
8. **FINANCIAL REPORT:** Jason with Nakawatase & Kaminsky went over the financial reports and answered any questions. A motion was given by Johnson and a second by Sanner to approve the financial report. All were in favor.
9. **GENERAL MANAGERS REPORT:**
Meeks went over the GM report and answered any questions. A motion was given by Johnson and a second by Sanner to approve the GM report. All were in favor.
10. **DCWD BOARD OF DIRECTOR'S NEWSLETTER:**
The Board discussed tabling the newsletter until project finish. No motion or vote was taken.
11. **SUCH OTHER ITEMS DIRECTLY RELATED TO THE ABOVE-DESCRIBED MATTERS AS MAY BE BROUGHT BEFORE THE BOARD OF DIRECTORS:**
Director Johnson requested that Board seat be put out for advertisement.

12. MOTION TO ADJOURN:

A motion was given by Sanner and a second by Johnson to adjourn the meeting at 7:27 PM.

Board of Directors		
Maureen Phillips President (619) 445-6042	Gary Sanner Vice President (619) 445-9138	Lee Johnson Finance Officer (619) 445-4122
	Vacant Director	Dan DeMoss General Manager (916) 616-7761

Item 8

PRESENTATION OF THE 2019-2020 AUDIT:

The District's accountant will present the 2019-2020 audit to the Board for approval.

Notes:

DESCANSO COMMUNITY WATER DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

**DESCANSO COMMUNITY WATER DISTRICT
TABLE OF CONTENTS**

	<u>Page</u>
INTRODUCTORY SECTION	
Independent Auditor’s Report on Financial Statements.....	i
Management’s Discussion and Analysis.....	3
FINANCIAL SECTION	
Combined Statements:	
Statement of Net Position	9
Statement of Revenues, Expenses and Changes in Net Position	10
Statement of Cash Flows	11
Notes to the Financial Statements.....	12
OTHER INDEPENDENT AUDITOR’S REPORTS	
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	19
FINDINGS AND RECOMMENDATIONS	
Schedule of Audit Findings and Questioned Costs.....	21
Schedule of Prior Year Findings.....	22

INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of Descanso Community Water District, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the State Controller's *Minimum Audit Requirements for California Special Districts*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Descanso Community Water District as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2020 on our consideration of Descanso Community Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Descanso Community Water District's internal control over financial reporting and compliance.

Wilkinson Hadley King & Co., LLP

El Cajon, California
September 9, 2020

**DESCANSO COMMUNITY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

This section of the District's financial report presents our analysis of the District's financial performance during the year ended June 30, 2020 and 2019. Please read in conjunction with the financial statements, which follow this section.

***FINANCIAL
HIGHLIGHTS***

- The District's net position increased by \$195,794 or 16 percent.
- The District's operating income was \$228,630. This is a \$25,506 increase compared to June 30, 2019.
- The District's long-term debt decreased by \$18,397. The District maintains \$37,065 in cash reserves as required by bond debt covenant requirements.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The financial statements accompanying this MD&A present the financial position, results of operations, and changes in cash flow during the fiscal year ending June 30, 2020 and 2019. These financial statements have been prepared using the accrual basis of accounting, which is similar to the accounting basis used by for-profit entities. Each financial statement is identified and defined in this section, and analyzed in subsequent sections of this MD&A.

REQUIRED FINANCIAL STATEMENTS

Statement of Net Position

The Statement of Net Position presents information on the District's assets (investments in resources) and liabilities (obligations to creditors), with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. However, other factors such as changes in economic conditions, population growth, zoning, and new or changed legislation or regulations also need to be considered when establishing financial position. Assets in excess of liabilities (net position) were \$1,421,884 and \$1,226,090 as of June 30, 2020 and 2019, respectively.

**DESCANSO COMMUNITY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEARS ENDED 2020 AND 2019
(Continued)**

REQUIRED FINANCIAL STATEMENTS

Statements of Revenues, Expenses, and Changes in Net Position

The Statements of Revenues, Expenses, and Changes in Net Position present information showing how the District's net position changed during the fiscal year. All of the year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the results of the District's operations for the year and can be used to determine if the District has successfully recovered all of its costs through user fees and other charges. Operating revenues and expenses are related to the District's core activity (providing water distribution services). Non-operating revenues and expenses are not directly related to the core activity of the District (e.g. interest income, interest expense, gain or loss on sale of assets). For the fiscal year ended June 30, 2020 net position increased \$195,794, which is added to the beginning net position of \$1,226,090 to arrive at ending total net position of \$1,421,884.

Statement of Cash Flows

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

District cash flow for the year has been categorized into one of the following activities: operating, noncapital financing, capital and related financing, or investing. The total of these categories represents an increase in cash and cash equivalents of \$15,464, which is added from beginning cash and cash equivalents of \$593,082, to arrive at ending cash and cash equivalents of \$608,546.

**DESCANSO COMMUNITY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019
(Continued)**

FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION

Condensed Statement of Net Assets

	2020	2019	Change (\$)	Change (%)
ASSETS				
Current Assets	\$ 778,931	\$ 732,555	\$ 46,376	6%
Non-current Assets	2,108,353	1,399,937	708,416	51%
TOTAL ASSETS	2,887,284	2,132,492	754,792	35%
LIABILITIES				
Long-term Debt Outstanding	522,668	541,989	(19,321)	-4%
Other Liabilities	942,732	364,413	578,319	159%
TOTAL LIABILITIES	1,465,400	906,402	558,998	61.67%
NET POSITION				
Net Investment in Capital Assets	969,416	598,098	371,318	62%
Restricted	37,065	37,270	(205)	-0.55%
Unrestricted	415,403	590,722	(175,319)	-30%
TOTAL NET POSITION	\$ 1,421,884	\$ 1,226,090	\$ 195,794	16%

As a result of operating and non-operating activities, the District's overall net position increased by \$195,794. An increase of \$371,318 was noted in the District's investment in capital assets, representing capital additions less depreciation minus the debt related to capital assets. There is a decrease of \$205 noted in the District's restricted bond reserve and the balance of \$175,319 decreased the District's unrestricted net assets.

**DESCANSO COMMUNITY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019
(Continued)**

FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION (continued)

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

	2020	2019	Change (\$)	Change (%)
REVENUES				
Operating Revenues	\$ 659,581	\$ 642,020	\$ 17,561	3%
Non-operating Revenues	825	1,195	(370)	-31%
TOTAL REVENUES	660,406	643,215	17,191	3%
EXPENSES				
Depreciation	42,057	35,151	6,906	20%
Other Operating Expenses	388,894	403,745	(14,851)	-4%
Non-Operating Expenses	33,661	35,842	(2,181)	-6%
TOTAL EXPENSES	464,612	474,738	(10,126)	-2%
CHANGE IN NET POSITION	195,794	168,477	27,317	16%
BEGINNING NET POSITION	1,226,090	1,057,613	168,477	16%
ENDING NET POSITION	\$ 1,421,884	\$ 1,226,090	\$ 195,794	16%

While the Statement of Net Position shows the change in financial position of net assets, the Statement of Revenues, Expenses and Changes in Net Position, provides answers to the nature and source of these changes. Increase in operations was the main source of the change in ending net position of \$195,794 in fiscal 2020.

Non-operating revenue in 2020 includes \$825 in interest income, while in 2019 non-operating revenue includes \$1,195 in interest income. Other operating expenses decreased by \$14,851 as compared to year 2019.

**DESCANSO COMMUNITY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019
(Continued)**

FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION (continued)

CAPITAL ASSETS AND DEBT

	2020	2019	Change (\$)	Change (%)
CAPITAL ASSETS				
Land	\$ 152,779	\$ 152,778	\$ 1	0%
Wells	122,868	122,868	0	0%
Distribution Systems	1,375,288	1,078,154	297,134	28%
Equipment	27,650	27,649	1	0%
Water Tanks	286,053	294,879	(8,826)	-3%
Work in Progress	973,681	511,518	462,163	90%
Total	2,938,319	2,187,846	750,473	34%
Less: Accumulated Depreciation	(829,966)	(787,909)	11,527	-1%
NET CAPITAL ASSETS	\$ 2,108,353	\$ 1,399,937	\$ 708,416	51%

Net capital assets increased by \$708,416 from the prior year, contributing towards the ending balance of \$2,108,353. This increase consisted of current year asset additions less current year depreciation expense, and less the disposition of some assets. The majority of the asset additions were for Work in Progress and Distribution Systems.

**DESCANSO COMMUNITY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019
(Continued)**

CAPITAL ASSETS AND DEBT (continued)

Long Term Debt

	<u>2020</u>	<u>2019</u>	<u>Change (\$)</u>	<u>Change (%)</u>
County of San Diego	116,153	119,950	(3,797)	-3%
Rural Development Agency	<u>425,836</u>	<u>440,436</u>	<u>(14,600)</u>	<u>-3%</u>
Total Long Term Debt	<u>\$ 541,989</u>	<u>\$ 560,386</u>	<u>\$ (18,397)</u>	<u>-3%</u>

Total long term debt decreased by \$18,397 during the year ended June 30, 2020 as a result of principal payments made during the year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

FINANCIAL STATEMENTS

**DESCANSO COMMUNITY WATER DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2020 AND 2019**

	For the Year Ended June 30, 2020	
	2020	2019
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and cash equivalents, unrestricted	\$ 571,481	\$ 555,812
Cash and cash equivalents, restricted	37,065	37,270
Accounts receivable, net	138,961	109,689
Inventory	29,483	27,411
Prepaid expenses	332	-
Security deposit	1,610	1,610
Other assets	-	763
TOTAL CURRENT ASSETS	778,931	732,555
NON-CURRENT ASSETS		
Plant and equipment, net	2,108,353	1,399,937
TOTAL NON-CURRENT ASSETS	2,108,353	1,399,937
TOTAL ASSETS	\$ 2,887,284	\$ 2,132,492
DEFERRED OUTFLOWS OF RESOURCES	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 2,887,284	\$ 2,132,492
LIABILITIES AND DEFERRED INFLOWS OR RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 319,490	\$ 97,354
Accrued expenses	6,973	7,209
Current portion of long-term debt	19,321	18,396
Line of credit	596,948	241,454
TOTAL CURRENT LIABILITIES	942,733	364,413
NON-CURRENT LIABILITIES		
Long-term debt, net of current portion	522,668	541,989
TOTAL LIABILITIES	1,465,400	906,402
DEFERRED INFLOWS OF RESOURCES	-	-
NET POSITION		
Net investment in capital assets	969,416	598,098
Restricted for debt services	37,065	37,270
Unrestricted net assets	415,403	590,722
TOTAL NET POSITION	1,421,884	1,226,090
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 2,887,284	\$ 2,132,492

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

**DESCANSO COMMUNITY WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

	For the Year Ended June 30,	
	2020	2019
OPERATING REVENUES		
Water sales	\$ 71,408	\$ 67,889
Water availability sales	422,868	396,772
Supplemental debt fees	54,054	54,226
Other operating revenues	111,251	123,133
TOTAL OPERATING REVENUES	659,581	642,020
 TOTAL REVENUE AND SUPPORT	 \$ 659,581	 \$ 642,020
 OPERATING EXPENSES		
Transmission and distribution	\$ 290,753	\$ 292,842
Pumping	11,529	12,342
Repairs and maintenance	15,032	15,042
Water treatment	11,560	14,792
General and administrative	60,020	68,727
Depreciation	42,057	35,151
TOTAL OPERATING EXPENSES	\$ 430,951	\$ 438,896
 OPERATING INCOME	 228,630	 203,124
 NON-OPERATING REVENUES (EXPENSES)		
Interest income	\$ 825	\$ 1,195
Interest expense	(33,661)	(35,842)
TOTAL NON-OPERATING REVENUES (EXPENSES)	\$ (32,836)	\$ (34,647)
 INCREASE (DECREASE) IN NET POSITION	 195,794	 168,477
 NET POSITION, BEGINNING OF YEAR	 1,226,090	 1,057,613
 NET ASSETS, END OF YEAR	 \$ 1,421,884	 \$ 1,226,090

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

**DESCANSO COMMUNITY WATER DISTRICT
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

Cash Flows from Operating Activities

Receipts from federal, state, and local contracts	\$ 630,309	\$ 655,877
Payments to vendors	(167,810)	(355,902)
Interest paid	(33,661)	(35,842)
Net Cash Used for Operating Activities	<u>428,838</u>	<u>264,133</u>

Cash Flows from Investing Activities

Purchases of property and equipment (net)	<u>(750,472)</u>	<u>(85,869)</u>
Net Cash Used for Investing Activities	<u>(750,472)</u>	<u>(85,869)</u>

Cash Flows from Financing Activities

Principal payments on debt	(18,396)	(22,745)
Proceeds from increase in line of credit	<u>355,494</u>	<u>17,730</u>
Net Cash Provided from Financing Activities	<u>337,098</u>	<u>(5,015)</u>

Net Change in Cash and Cash Equivalents	15,464	173,249
Cash and Cash Equivalents - Beginning of Year	<u>593,082</u>	<u>419,833</u>
Cash and Cash Equivalents - End of Year	<u>\$ 608,546</u>	<u>\$ 593,082</u>

Reconciliation of Change in Net Assets to Net Cash from Operating Activities

Change in net assets	\$ 195,794	\$ 168,477
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	42,057	35,151
Changes in operating assets and liabilities		
Accounts receivable	(29,272)	(13,857)
Inventory	(2,072)	879
Prepaid expenses	(332)	741
Security deposits	-	1,044
Other assets	763	(316)
Accounts payable	222,136	72,280
Accrued expenses	(236)	(266)
Net Cash Used for Operating Activities	<u>\$ 428,838</u>	<u>\$ 264,133</u>

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

**DESCANSO COMMUNITY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

A. Organization and Operation:

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

B. Summary of Significant Accounting Policies:

Basis of Presentation and Accounting

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

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

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

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

Use of Estimates

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

**DESCANSO COMMUNITY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019
(Continued)**

Inventory

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

Cash and Cash Equivalents

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

Utility Plant

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

Estimated useful lives are as follows:

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

Operating Revenues and Expenses

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

Donated Property and Equipment

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

**DESCANSO COMMUNITY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019
(Continued)**

Deferred Inflows and Deferred Outflows of Resources

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

Income Taxes

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

Materials and Supplies

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

C. Cash and Cash Equivalents:

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

	June 30,	
	2020	2019
Unrestricted		
Cash	\$ 503,092	\$ 366,148
Cash-capital improvement fund	68,389	189,664
Total unrestricted cash	<u>571,481</u>	<u>555,812</u>
Restricted		
Cash with fiscal agent	<u>37,065</u>	<u>37,270</u>
Total restricted cash	<u>37,065</u>	<u>37,270</u>
Total cash	<u>\$ 608,546</u>	<u>\$ 593,082</u>

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

**DESCANSO COMMUNITY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED 2020 AND 2019
(Continued)**

Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name. At year end, the District had \$302,164 on deposit with a single financial institution which exceeded the Federal Deposit Insurance Coverage amount.

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

**DESCANSO COMMUNITY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED 2020 AND 2019
(Continued)**

D. Capital Assets:

Capital Assets are summarized as follows:

	June 30,	
	2020	2019
Land	\$ 152,779	\$ 152,778
Wells	122,868	122,868
Distribution system	1,375,288	1,078,154
Equipment	27,650	27,649
Water tank	286,053	294,879
Work in progress	973,681	511,518
 Total capital assets	 2,938,319	 2,187,846
 Less accumulated depreciation	 (829,966)	 (787,909)
 Capital assets, net	 \$ 2,108,353	 \$ 1,399,937

E. Accounts Receivable:

The District grants credit to individuals and businesses, substantially all of whom are in the community of Descanso, California. The District performs ongoing credit evaluations of its customers and, generally, requires no collateral. Concentrations of credit risk with respect to accounts receivable are limited due to the number of individuals and businesses comprising the District's customer base. As of June 30, 2020 and 2019, the District had no significant concentrations of credit risk.

Accounts receivable as of June 30, 2020 and 2019 are considered collectible by management, net of an allowance for doubtful accounts of \$5,054 at June 30, 2020.

F. Commitments and Contingencies:

Litigation

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

**DESCANSO COMMUNITY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED 2020 AND 2019
(Continued)**

G. Long Term Debt Obligations:

Long-term obligations include debt and other long-term liabilities. Changes in long term obligations for the year ended June 30, 2020 are as follows:

	<u>06/30/19</u>	<u>Additions</u>	<u>Payments</u>	<u>06/30/20</u>	<u>Due Within One Year</u>
State of California	\$ -	\$ -	\$ -	\$ -	\$ -
County of San Diego	119,950	-	3,797	116,153	3,921
Rural Development Agency	440,436	-	14,600	425,836	15,400
Total	<u>\$ 560,386</u>	<u>\$ -</u>	<u>\$ 18,397</u>	<u>\$ 541,989</u>	<u>\$ 19,321</u>

The changes in long-term debt for the year ended June 30, 2019 are as follows:

	<u>06/30/18</u>	<u>Additions</u>	<u>Payments</u>	<u>06/30/19</u>	<u>Due Within One Year</u>
State of California	\$ 5,170	\$ -	\$ 5,170	\$ -	\$ -
County of San Diego	123,624	-	3,674	119,950	3,796
Rural Development Agency	454,336	-	13,900	440,436	14,600
Total	<u>\$ 583,130</u>	<u>\$ -</u>	<u>\$ 22,744</u>	<u>\$ 560,386</u>	<u>\$ 18,396</u>

Future principal and interest maturities are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 19,321	\$ 23,880	\$ 43,201
2022	20,251	23,010	43,261
2023	21,185	22,096	43,281
2024	22,123	21,141	43,264
2025	23,065	20,144	43,209
2026-2030	131,637	84,143	215,780
2031-2035	164,678	51,469	216,147
2036-2040	132,222	13,001	145,223
2041-2045	7,507	248	7,755
Total	<u>\$ 541,989</u>	<u>\$ 259,132</u>	<u>\$ 801,121</u>

**DESCANSO COMMUNITY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED 2020 AND 2019
(Continued)**

H. Subsequent Events:

In preparing these financial statements the District has evaluated events and transactions for potential recognition or disclosure between June 30, 2020 and the date the financial statements were issued.

I. Line of Credit:

The Water District has obtained an extension on a line of credit from COBANK. The balance on the line of credit at June 30, 2020 is \$596,948. The line of credit is due January 31, 2021. The line of credit is for the construction of a water treatment plant. The line of credit is interest only at the LIBOR rate plus 2%. The line of credit will be converted to long term debt once construction begins on the water treatment plant.

OTHER INDEPENDENT AUDITOR'S REPORTS

**Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Descanso Community Water District, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise basic financial statements, and have issued our report thereon dated September 9, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Descanso Community Water District's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Descanso Community Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Descanso Community Water District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Williamson Hubley King & Co., LLP

El Cajon, California
September 9, 2020

FINDINGS AND RECOMMENDATIONS

**DESCANSO COMMUNITY WATER DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified? No

Reportable conditions identified not considered
to be material weaknesses? No

Noncompliance material to financial
statements noted? No

Federal Awards

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

Internal control over major programs:

Material weaknesses identified? Not Applicable

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

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

Identification of major programs:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
--------------------------------	--------------------

Not Applicable	Not Applicable
----------------	----------------

Dollar threshold to distinguish between Type A and
Type B programs: Not Applicable

Auditee qualified as a low-risk auditee? Not Applicable

Section II - Financial Statement Findings

No matters reported.

Section III - Federal Award Findings and Questioned Costs

Not applicable

**DESCANSO COMMUNITY WATER DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

There were no reportable findings and/or questioned costs for the year ended June 30, 2019.

Item 9

FINANCIAL REPORT:

The District’s accountant will present the financial report to the Board. The Board will consider approval and take appropriate action. Final acceptance for Viejas Boulevard Pipeline Improvements.

Notes:

Descanso Community Water District

Balance Sheet

As of September 30, 2020

	<u>Sep 30, 20</u>
ASSETS	
Current Assets	
Checking/Savings	
Cash and Cash Equivalents	
Cash	
General Fund7573-Cal Bank	343,499
Checking7680-Cal Bank	6,513
Emgncy/Cap ImproveFund-Cal Bank	68,384
Installment Fund - UBOC	17,632
Reserve Fund - UBOC	37,072
Deposits In Transit	
PayPal	1,508
Total Deposits In Transit	<u>1,508</u>
Total Cash	<u>474,608</u>
Total Cash and Cash Equivalents	<u>474,608</u>
Total Checking/Savings	474,608
Accounts Receivable	
Customer Accounts Receivable	
Customer Accounts Receivable	
Customer Prepayments	-2,779
Customer Accounts Receivable - Other	165,141
Total Customer Accounts Receivable	<u>162,362</u>
Total Customer Accounts Receivable	162,362
Allowance for Doubtful Accounts	<u>-5,640</u>
Total Accounts Receivable	156,722
Other Current Assets	
Security Deposits	
Office 28857B Old Hwy 80	450
County of San Diego	1,160
Total Security Deposits	<u>1,610</u>
Materials and Supplies	
Plant Material	29,483
Total Materials and Supplies	<u>29,483</u>
Prepayments	
G&A	127
Taxes/Fees	249
Total Prepayments	<u>376</u>
Total Other Current Assets	<u>31,469</u>
Total Current Assets	<u>662,799</u>

Descanso Community Water District

Balance Sheet

As of September 30, 2020

	<u>Sep 30, 20</u>
Fixed Assets	
Utility Plant-At Original Cost	
Utility plant-original cost	
Land & Ld Rights-TD	152,779
Struct & Improv-Pump	7,764
Pumping Struct & Improvement	4,139
Pumping Struct & Improvements	9,419
Wells & Springs	
Well #1	11,463
Well #5	80,327
Well #6	31,078
Total Wells & Springs	<u>122,868</u>
Dist Res & Standpipes	6,250
Dist. Res & Standpipes	279,803
T & D Mains-4" and less	3,635
T & D Mains-6"-8"	340,295
T & D Mains- 6"-8"	104,049
T & D Mains -6"-8"	548,970
T & D Mains -12"	194,866
Services	36,108
Meters	51,594
Hydrants	13,171
Other T&D Plant	44,931
Fencing	5,200
Other P/E - Eng Evaluation	11,148
Power Operated Equipment	854
Tools/Shop/Garage Equip	1,875
Miscellaneous Equipment	24,920
Total Utility plant-original cost	<u>1,964,638</u>
Total Utility Plant-At Original Cost	<u>1,964,638</u>
Accumulated Depreciation	
Utility Plant-Acc Depr	-840,626
Total Accumulated Depreciation	<u>-840,626</u>
Total Fixed Assets	<u>1,124,012</u>

Descanso Community Water District

Balance Sheet

As of September 30, 2020

	<u>Sep 30, 20</u>
Other Assets	
Uncapitalized Fixed Assets -WIP	
Easement Acquisition (405-190-3)	
Task 13 (\$7690)	6,198
Total Easement Acquisition (405-190-3)	<u>6,198</u>
Fe/Mn Pipeline	
Main Contractor (\$1.147M)	672,211
Task 12 (\$34670)	27,286
Fe/Mn Pipeline - Other	4,275
Total Fe/Mn Pipeline	<u>703,772</u>
Well #5-Fe/Mn Plant	
Task 04 (\$29945)	25,808
Task 06 (\$56990)	56,990
Task 08 (\$174605)	173,803
Task 09 (\$151.5K)	89,956
Task 11 (\$10.6K)	11,947
Well #5-Fe/Mn Plant - Other	42,352
Total Well #5-Fe/Mn Plant	<u>400,856</u>
Well #6-Fe/Mn Plant	
Task 04 (\$29945)	25,808
Task 06 (\$56990)	56,990
Task 08 (\$174605)	173,803
Task 09 (\$151.5K)	89,956
Task 11 (\$10.6K)	11,947
Well #6-Fe/Mn Plant - Other	42,352
Total Well #6-Fe/Mn Plant	<u>400,856</u>
Uncapitalized Fixed Assets -WIP - Other	<u>696</u>
Total Uncapitalized Fixed Assets -WIP	<u>1,512,378</u>
Total Other Assets	<u>1,512,378</u>
TOTAL ASSETS	<u><u>3,299,189</u></u>

Descanso Community Water District

Balance Sheet

As of September 30, 2020

	<u>Sep 30, 20</u>
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
Accts Pay - General	71,603
Total Accounts Payable	<u>71,603</u>
Other Current Liabilities	
CoBank Bridge Loan (\$1.492M)	1,190,545
Current Portion of LTD	
Loan Payable - Union Bank of Ca	15,400
Loan Payable - SD County	3,921
Total Current Portion of LTD	<u>19,321</u>
Interest Accrued	
Int Accr-LTD-Outside	12,988
Total Interest Accrued	<u>12,988</u>
Total Other Current Liabilities	<u>1,222,854</u>
Total Current Liabilities	<u>1,294,457</u>
Long Term Liabilities	
Long-Term Debt	
Loan Payable - UBOC 4/2038	410,436
Loan Payable-SD County 1/2041	112,232
Total Long-Term Debt	<u>522,668</u>
Total Long Term Liabilities	<u>522,668</u>
Total Liabilities	1,817,125
Equity	
Retained Earnings	1,421,885
Net Income	60,176
Total Equity	<u>1,482,061</u>
TOTAL LIABILITIES & EQUITY	<u><u>3,299,186</u></u>

Descanso Community Water District
Profit & Loss Budget vs. Actual
 July through September 2020

	<u>Jul 20</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>	<u>Aug 20</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>
Ordinary Income/Expense								
Income								
Operating Revenues	43,755	46,017	-2,262	95%	45,546	46,017	-471	99%
Total Income	43,755	46,017	-2,262	95%	45,546	46,017	-471	99%
Gross Profit	43,755	46,017	-2,262	95%	45,546	46,017	-471	99%
Expense								
Operating Expenses	1,328	1,365	-37	97%	1,517	1,404	113	108%
Water Treatment	0	1,813	-1,813	0%	0	1,967	-1,967	0%
Repairs and Maintenance	168	2,501	-2,333	7%	1,362	2,501	-1,139	54%
Transmission & Distribution	25,205	24,915	290	101%	25,204	24,915	289	101%
Depreciation	3,553	3,560	-7	100%	3,553	3,560	-7	100%
General & Administrative	5,152	5,669	-517	91%	3,189	4,689	-1,500	68%
Total Expense	35,406	39,823	-4,417	89%	34,825	39,036	-4,211	89%
Net Ordinary Income	8,349	6,194	2,155	135%	10,721	6,981	3,740	154%
Other Income/Expense								
Other Income								
Treatment Plant Project Charge	7,663	7,687	-24	100%	7,663	7,687	-24	100%
Viejas Grade Project Charge	1,586	1,591	-5	100%	1,586	1,591	-5	100%
Supp Debt Charge	4,519	4,534	-15	100%	4,519	4,533	-14	100%
Interest Income	18	83	-65	22%	16	83	-67	19%
Total Other Income	13,786	13,895	-109	99%	13,784	13,894	-110	99%
Other Expense								
Interest Expense	3,202	2,780	422	115%	3,702	2,780	922	133%
Total Other Expense	3,202	2,780	422	115%	3,702	2,780	922	133%
Net Other Income	10,584	11,115	-531	95%	10,082	11,114	-1,032	91%
Net Income	<u>18,933</u>	<u>17,309</u>	<u>1,624</u>	<u>109%</u>	<u>20,803</u>	<u>18,095</u>	<u>2,708</u>	<u>115%</u>

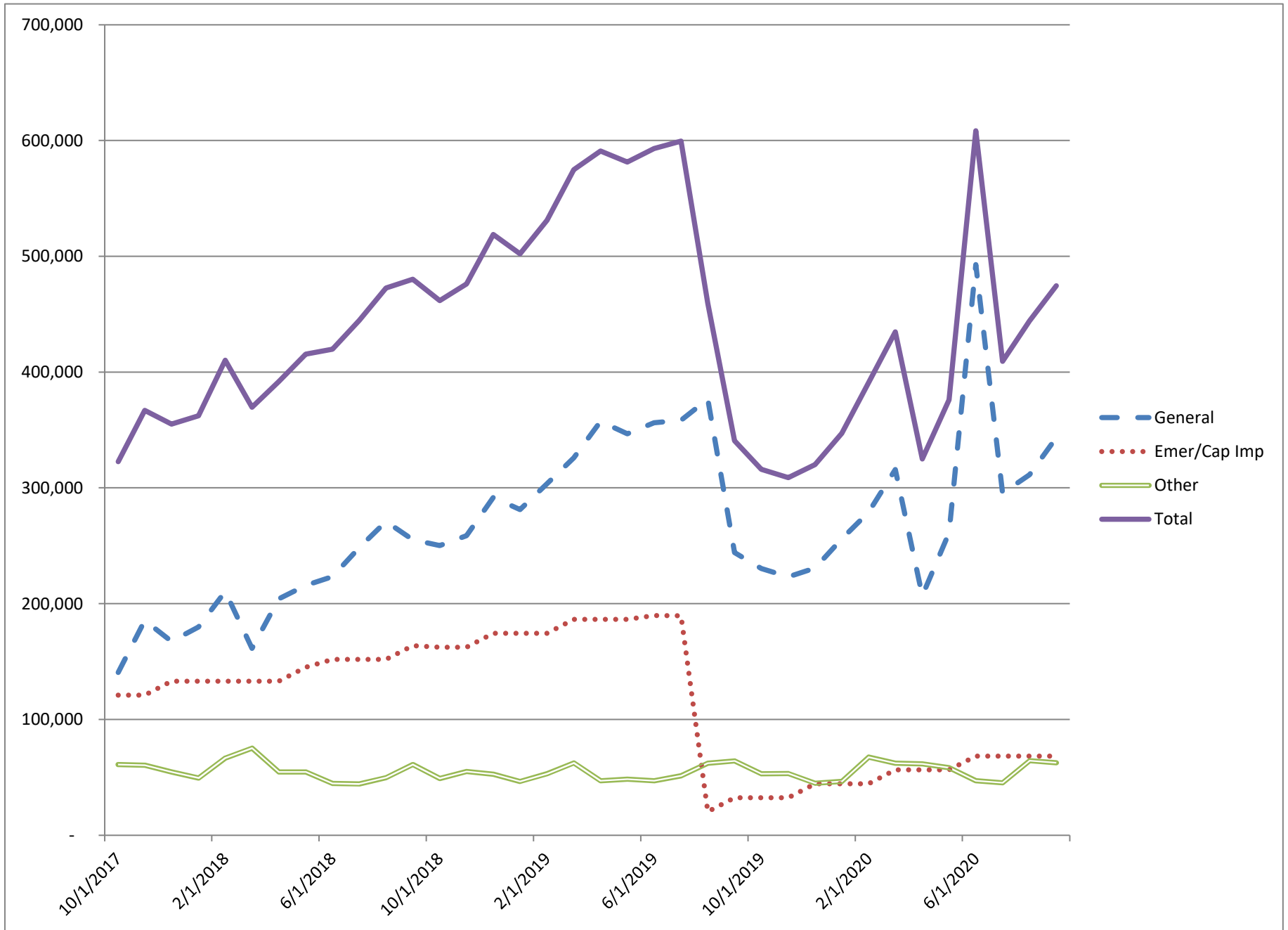
Descanso Community Water District
Profit & Loss Budget vs. Actual
 July through September 2020

					TOTAL			
	Sep 20	Budget	\$ Over Budget	% of Budget	Jul - Sep 20	Budget	\$ Over Budget	% of Budget
Ordinary Income/Expense								
Income								
Operating Revenues	50,193	45,015	5,178	112%	139,494	137,049	2,445	102%
Total Income	50,193	45,015	5,178	112%	139,494	137,049	2,445	102%
Gross Profit	50,193	45,015	5,178	112%	139,494	137,049	2,445	102%
Expense								
Operating Expenses	1,515	1,124	391	135%	4,360	3,893	467	112%
Water Treatment	3,665	707	2,958	518%	3,665	4,487	-822	82%
Repairs and Maintenance	203	2,501	-2,298	8%	1,733	7,503	-5,770	23%
Transmission & Distribution	25,204	26,415	-1,211	95%	75,613	76,245	-632	99%
Depreciation	3,553	3,560	-7	100%	10,659	10,680	-21	100%
General & Administrative	5,243	11,785	-6,542	44%	13,584	22,143	-8,559	61%
Total Expense	39,383	46,092	-6,709	85%	109,614	124,951	-15,337	88%
Net Ordinary Income	10,810	-1,077	11,887	-1,004%	29,880	12,098	17,782	247%
Other Income/Expense								
Other Income								
Treatment Plant Project Charge	7,639	7,687	-48	99%	22,965	23,061	-96	100%
Viejas Grade Project Charge	1,581	1,592	-11	99%	4,753	4,774	-21	100%
Supp Debt Charge	4,505	4,533	-28	99%	13,543	13,600	-57	100%
Interest Income	13	83	-70	16%	47	249	-202	19%
Total Other Income	13,738	13,895	-157	99%	41,308	41,684	-376	99%
Other Expense								
Interest Expense	4,107	2,780	1,327	148%	11,011	8,340	2,671	132%
Total Other Expense	4,107	2,780	1,327	148%	11,011	8,340	2,671	132%
Net Other Income	9,631	11,115	-1,484	87%	30,297	33,344	-3,047	91%
Net Income	<u>20,441</u>	<u>10,038</u>	<u>10,403</u>	<u>204%</u>	<u>60,177</u>	<u>45,442</u>	<u>14,735</u>	<u>132%</u>

Descanso Community Water District
Statement of Cash Flows
 July through September 2020

	Jul - Sep 20
OPERATING ACTIVITIES	
Net Income	60,176
Adjustments to reconcile Net Income to net cash provided by operations:	
Customer Accounts Receivable:Customer Accounts Receivable	-18,700
Customer Accounts Receivable:Customer Accounts Receivable:Custom...	339
Allowance for Doubtful Accounts	600
Prepayments:G&A	64
Prepayments:Taxes/Fees	-107
Accts Pay - General	-247,886
Interest Accrued:Int Accr-LTD-Outside	6,015
CoBank Bridge Loan (\$1.492M)	593,597
Net cash provided by Operating Activities	394,097
INVESTING ACTIVITIES	
Accumulated Depreciation:Utility Plant-Acc Depr	10,660
Uncapitalized Fixed Assets -WIP	-384
Uncapitalized Fixed Assets -WIP:Well #5-Fe/Mn Plant	-5,400
Uncapitalized Fixed Assets -WIP:Well #5-Fe/Mn Plant:Task 08 (\$174605)	-1,328
Uncapitalized Fixed Assets -WIP:Well #6-Fe/Mn Plant	-5,400
Uncapitalized Fixed Assets -WIP:Well #6-Fe/Mn Plant:Task 08 (\$174605)	-1,328
Uncapitalized Fixed Assets -WIP:Easement Acquisition (405-190-3:Task 13 (...)	-6,198
Uncapitalized Fixed Assets -WIP:Fe/Mn Pipeline:Main Contractor (\$1.147M)	-458,522
Uncapitalized Fixed Assets -WIP:Fe/Mn Pipeline:Task 12 (\$34670)	-16,758
Uncapitalized Fixed Assets -WIP:Well #5-Fe/Mn Plant:Task 09 (\$151.5K)	-18,267
Uncapitalized Fixed Assets -WIP:Well #5-Fe/Mn Plant:Task 11 (\$10.6K)	-3,422
Uncapitalized Fixed Assets -WIP:Well #6-Fe/Mn Plant:Task 09 (\$151.5K)	-18,267
Uncapitalized Fixed Assets -WIP:Well #6-Fe/Mn Plant:Task 11 (\$10.6K)	-3,422
Net cash provided by Investing Activities	-528,036
Net cash increase for period	-133,940
Cash at beginning of period	608,546
Cash at end of period	474,607

DCWD Cash Flow Balances



10:50 AM

12/02/20

Accrual Basis

Descanso Community Water District Line of Credit - CoBank Activity

As of September 30, 2020

Type	Date	Memo	Debit	Credit	Balance
CoBank Bridge Loan (\$1.492M)					596,947.79
General Journal	07/14/2020	Red Tail Environmental		4,275.00	601,222.79
General Journal	07/14/2020	NV5		68,008.78	669,231.57
General Journal	08/12/2020	NV5		34,068.16	703,299.73
General Journal	08/17/2020	TC Construction		458,522.25	1,161,821.98
Deposit	09/24/2020	NV5 Invoices		28,723.12	1,190,545.10
Total CoBank Bridge Loan (\$1.492M)			0.00	593,597.31	1,190,545.10
TOTAL			0.00	593,597.31	1,190,545.10

Item 10

VIEJAS BOULEVARD PIPELINE IMPROVEMENTS:

Authorize staff to file Notice of Completion.

Notes:

REQUESTED BY:)
)
Descanso Community Water District)
)
AND WHEN RECORDED MAIL TO:)
)
Julianna Meeks, Operations Manager)
Descanso Community Water District)
P.O. Box 610)
Descanso, CA 91916)
)

Space above is reserved for Recorder's use

NOTICE OF COMPLETION

This Notice is given pursuant to Civil Code Section 8182. Notice is hereby given that:

1. A public works project has been completed on the 14th day of December 2020.
2. The work of improvement was performed for the OWNER: Descanso Community Water District, P.O. Box 610, Descanso, CA 91916.
3. The project is identified as: Viejas Boulevard Pipeline Improvements
4. The nature of the interest of the Owner is in fee.
5. The name of the CONTRACTOR is: T C Construction Company, Inc., 10540 Prospect Ave, Santee, CA
6. LOCATION OF WORK: Viejas Boulevard, Descanso, San Diego County, CA.
7. BONDING COMPANY: Marsh & McLennan Agency LLC, PO Box 85638, San Diego, CA 92186

Dated: _____, 2021 **Descanso Community Water District**

BY: _____
 Julianna Meeks

Section 8202 (b) of the Government Code is amended to read:

(b) To any affidavit subscribed and sworn to before a notary, there shall be attached a jurat in the following form:

State of California
 County of San Diego

Subscribed and sworn to (or affirmed) before me on this _____ day of _____, 2021,

by _____, proved to me on the basis of satisfactory evidence to be the person(s) who appeared before me.

Signature _____ (Seal)

Item 11

AMENDMENT TO NV5 TASK ORDER 11 (CLOMR).

Notes:



**Change Order No. 01
to Task Order No. 11 Dated: 19 June 2019**

Date 08 January 2021
Task Order No. 11
NV5 Project No. 226818-SDB0843.11
PM James F. Owens

CLIENT
Descanso Community Water District
c/o SUSP
1234 N. Market Boulevard
Sacramento, CA 95834

NV5 OFFICE
NV5, Inc.
f/k/a Nolte Associates, Inc.
15092 Avenue of Science, Suite 200
San Diego, CA 92128

JOB DESCRIPTION AND LOCATION

Iron and Manganese Treatment Facility – CLOMR Preparation

Descanso, San Diego County, CA

NV5 will perform the following additional services:

Additional compensation for the scope of services the original Task Order No. 11. NV5 has completed the scope of services.

Fee for Additional Services Described Above:

Original Contract Fee: \$ 21,215.00
Previous Changes: \$ 0.00
This Change: \$ 5,910.00
Revised Total Fee: \$ 27,125.00

All remaining terms and conditions of the Master Agreement Contract dated May 1, 2013 as amended through Change Order 02 to the Master Agreement, and Task Order 11 dated 19 June 2019 remain in full force and effect.

**DESCANSO COMMUNITY WATER DISTRICT
AUTHORIZATION:**

BY: _____
PRINT NAME & TITLE: _____

NV5, INC. AUTHORIZATION:

BY: _____
PRINT NAME & TITLE: CARMEN C. KASNER, PE
REGIONAL MANAGING DIRECTOR

Item 12

INCREASE COMPENSATION FOR NV5'S TASK ORDER 11 BY \$5,910.00:

NV5's work is complete; there is no change in NV5's scope of services.

Notes:

Item 13

AMENDMENT TO NV5 TASK ORDER 08 (TREATMENT FACILITY DESIGN).

Notes:

Item 14

INCREASE COMPENSATION FGOR NV5'S TASK ORDER 11 BY \$41,410.00:

NV5's work is complete; there is no change in NV5's scope of services.

Notes:

Item 15

GENERAL MANAGERS REPORT:

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

- A. Engineering and Project Status Report
- B. 2020 Water Sales vs. Production
- C. Q&A

Notes:

MEMORANDUM

To:	Julie Meeks, Operations Manager Descanso Community Water District	Date:	23 December 2020
From:	NV5, Inc. James F. Owens, PE	Subject:	2017 Water System Improvements
Subject:	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 Viejas Boulevard Pipeline Improvements, and provides an update on the iron and manganese treatment facility, Well No. 6 Rehabilitation, and the CLOMR efforts at the Well No. 6 site.

Viejas Boulevard Pipeline Improvements Construction

Construction commenced in May 2020, and completed construction on 14 December 2020. At the end of July 2020, the contractor (T C Construction Company, Inc., T C) completed construction of the pipeline such that DCWD would utilize the pipeline, even though not all work on the project was complete. NV5 requests that DCWD's Board take action to make Final Acceptance of the Viejas Boulevard Pipeline Improvements Project, and to authorize DCWD staff to file a Notice of Completion for the Project with the County Recorder.

There were several events that transpired during the course of construction that caused net construction costs to decrease. DCWD, NV5, T C, and USDA executed Change Order 01, which resulted in a contract reduction of \$49,147.91. A considerable volume of native material was presumed to be satisfactory for placement within the pipe zone. However, minimal native material was determined to be suitable for placement in the pipe zone. Therefore, the quantity of import sand material (Bid Item 21) increased significantly, T C also performed additional work in four areas, each increasing costs. These four areas were field locating existing pipelines at the intersection of River Drive and Viejas Boulevard, attempting to locate a private subsurface water pipeline near Well No. 6 (Merigan, pipeline not encountered), a temporary connection at the Well No. 6 site to allow continuous flow through the new pipeline, and a repair of an air-release valve damaged during construction.

Construction cost decreases were realized through the reduction in length of concrete encased pipeline, removal of slurry sealing from the project (less restriping costs), removal of most Class II Aggregate Base, and a general absence of rock and boulders along the pipeline.

NV5 understands that San Diego Gas and Electric postponed work in the Descanso area until early 2021. For this reason, San Diego County Department of Public Works would not be postponing pavement improvements in the Descanso area, including Viejas Boulevard, until summer 2021. Therefore, Descanso CWD needed to perform Phase II paving of the pipeline trench. Due to the summer 2021 improvements, NV5 removed the slurry sealing portion of T C's contract. Restriping of impacted areas of Viejas Boulevard was completed.

Native American, cultural resources, and biological resources monitors were on-site during construction, as applicable, to ensure compliance with the project's environmental requirements. NV5 is not aware of significant cultural resources having been encountered, and biological monitoring has not identified species that would impact the progress of construction.

Environmental Permitting

The status of the Project environmental permits and permit compliance as of 17 July 2020 is provided below.

- 1) Army Corps of Engineers - Nationwide Permit authorizing crossing of Descanso Creek at Viejas Grade Road (SPL-2017-00803-JDR)
 - a. Work within and adjacent to the creek is complete. DCWD has submitted closeout paperwork to USACE.
- 2) State Water Resources Control Board – 404 Certification
 - a. Work within and adjacent to the creek is complete. DCWD has submitted closeout paperwork to the San Diego Regional Water Quality Control Board.
- 3) FEMA CLOMR for Iron and Manganese Facility – See below.

Rehabilitation of Well No. 6

Per the direction of DCWD's Board, NV5 continues to prepare the technical documents for the Rehabilitation of Well No. 6. Installation of a pump and motor at Well No. 6 will be part of the Iron and Manganese Treatment Facility construction contract. NV5 anticipates completing the design drawings and specifications for the Well No. 6 Rehabilitation by 15 January 2021.

Conditional Letter of Map Revision (CLOMR) – Well No. 6 Site

DCWD/NV5 has completed the CLOMR efforts with FEMA. DCWD has submitted certified mailing of the change in conditions to affected property owners, and has placed an advertisement in The Alpine Sun (to be published in late December). Approvals for the treatment facility building's improvements are being submitted to San Diego County for review from watershed and drainage perspectives.

Iron and Manganese Treatment Facility

DCWD has selected and contracted with a manufacturer (AdEdge) for the provision of iron and manganese equipment.

As the proposed building is located within a FEMA-mapped flood zone (Zone AO), a Certified Letter of Map Revision (CLOMR) is required. NV5 submitted the CLOMR application documents to FEMA in April 2020. In July 2020, FEMA provided NV5 comments on the application materials, which NV5 is addressing.

NV5 recommends proceeding with bidding of the iron and manganese facility as soon as FEMA approves of the CLOMR application (approved) and the site design is reviewed by San Diego County for drainage and watershed perspectives.

Adjustments to NV5 Task Order Budgets

NV5 requests an increase in budget Task Order 11 (CLOMR) and a significant increase for Task Order 08 (Treatment Facility Design). These increases are partially offset by NV5 remaining under budget for Task Order 10 and Task Order 12 (environmental monitoring).

* * * * *

Item 16

DCWD BOARD OF DIRECTOR'S NEWSLETTER:

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

Notes:

Item 17

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

Notes:

Item 18

MOTION TO ADJOURN.

Notes:
