



DESCANSO COMMUNITY WATER DISTRICT

March 19, 2024

POSTED: POSTED:

NOTICE

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

Tuesday, March 19, 2024, 7:00 pm

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

AGENDA

1. **CALL TO ORDER, PLEDGE OF ALLEGIANCE.**
2. **ROLL CALL.**
3. **APPROVAL OF AGENDA.**
4. **PUBLIC COMMENT:** An opportunity for the public to comment on any topic that is within the jurisdiction of the Board and not on this agenda. No Board action is authorized for items not on this agenda. The total amount of time allocated for public comment may be limited, and each speaker may be limited to no more than 3 minutes (Brown Act, Section 54954.3).
5. **APPROVAL OF THE MINUTES:** The Board will review the draft minutes from the following meetings and take appropriate action:
 - Regular Meeting held on December 19, 2023
6. **DCWD FINANCIAL AUDIT OF 2022-2023:** The District's Auditor will present the results of the 2022-23 Financial Audit and the Board will take appropriate action.
7. **FINANCIAL REPORT:** The district's accountant will present the financial report to the Board. The Board will consider its approval and take appropriate action.
8. **ENGINEERING STATUS REPORT:** The District's engineer will present a project update to the board.
9. **GENERAL MANAGER'S REPORT:** The GM will provide a report on activities occurring since the last meeting.
 - A. GM Report.
 - B. Q&A.
10. **DCWD BOARD OF DIRECTORS NEWSLETTER:** The Board will discuss a draft outline of the DCWD Board of Directors Newsletter and take appropriate action.
11. **OTHER ITEMS DIRECTLY RELATED TO THE ABOVE-DESCRIBED MATTERS AS MAY BE BROUGHT BEFORE THE BOARD OF DIRECTORS**
12. **MOTION TO ADJOURN**

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

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 June 18, 2024.

Item 1

CALL TO ORDER, PLEDGE OF ALLEGIANCE

Item 2

ROLL CALL:

1. Maurren Phillips
2. Lee Johnson
4. Sheri Minix
5. Dan DeMoss

Item 3

APPROVAL OF AGENDA:

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

Notes:

Item 4

PUBLIC COMMENT:

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

Notes:

POSTED:

NOTICE

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

Tuesday, March 19, 2024, 7:00 pm

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

AGENDA

1. **CALL TO ORDER, PLEDGE OF ALLEGIANCE.**
2. **ROLL CALL.**
3. **APPROVAL OF AGENDA.**
4. **PUBLIC COMMENT:** An opportunity for the public to comment on any topic that is within the jurisdiction of the Board and not on this agenda. No Board action is authorized for items not on this agenda. The total amount of time allocated for public comment may be limited, and each speaker may be limited to no more than 3 minutes (Brown Act, Section 54954.3).
5. **APPROVAL OF THE MINUTES:** The Board will review the draft minutes from the following meetings and take appropriate action:
 - Regular Meeting held on December 19, 2023
6. **DCWD FINANCIAL AUDIT OF 2022-2023:** The District's Auditor will present the results of the 2022-23 Financial Audit and the Board will take appropriate action.
7. **FINANCIAL REPORT:** The district's accountant will present the financial report to the Board. The Board will consider its approval and take appropriate action.
8. **ENGINEERING STATUS REPORT:** The District's engineer will present a project update to the board.
9. **GENERAL MANAGER'S REPORT:** The GM will provide a report on activities occurring since the last meeting.
 - A. GM Report.
 - B. Q&A.
9. **DCWD BOARD OF DIRECTORS NEWSLETTER:** The Board will discuss a draft outline of the DCWD Board of Directors Newsletter and take appropriate action.
10. **OTHER ITEMS DIRECTLY RELATED TO THE ABOVE-DESCRIBED MATTERS AS MAY BE BROUGHT BEFORE THE BOARD OF DIRECTORS**
11. **MOTION TO ADJOURN**

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

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 June 18, 2024.

Item 6

DCWD FINANCIAL AUDIT OF 2022-2023:

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

Notes:

**DESCANSO COMMUNITY WATER DISTRICT
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
For the Fiscal Years Ended
June 30, 2023
(With Comparative Amounts for June 30, 2022)**

NIGRO & NIGRO^{PC}

DESCANSO COMMUNITY WATER DISTRICT
For the Fiscal Year Ended June 30, 2023
Table of Contents

FINANCIAL SECTION

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis.....	4
Basic Financial Statements:	
Balance Sheets.....	10
Statements of Revenues, Expenses and Changes in Net Position.....	11
Statements of Cash Flows.....	12
Notes to Financial Statements	14

OTHER INDEPENDENT AUDITORS' REPORTS

Independent Auditors' 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>	22
---	----

Financial Section



INDEPENDENT AUDITORS' REPORT

Board of Directors
Descanso Community Water District
Descanso, California

Opinion

We have audited the accompanying financial statements of the Descanso Community Water District (District), which comprise the balance sheet as of June 30, 2023 and the related statements of revenue, expenses, and changes in net position, and cash flows for the year then ended, and related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2023 and the respective changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the 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 Governmental Accounting Standards Board, 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. 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.

Prior-Year Comparative Information

The financial statements include partial prior-year comparative information. Such information does not include sufficient detail to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2022, from which such partial information was derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a separate report dated December 20, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Murrieta, California
December 20, 2023

DESCANSO COMMUNITY WATER DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2023 (With Comparative Amounts for June 30, 2022)

Management's Discussion and Analysis (MD&A) offers readers of Descanso Community Water District's financial statements a narrative overview of the District's financial activities for the year ended June 30, 2023. This MD&A presents financial highlights, an overview of the accompanying financial statements, an analysis of net position and results of operations, a current-to prior year analysis, a discussion on restrictions, commitments and limitations, and a discussion of significant activity involving capital assets and long-term debt. Please read in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- In fiscal year 2023, the District's net position decreased 9.35%, or \$194,797 from the prior year's net position of \$2,082,410 to \$1,887,613, as a result of the year's operations.
- In fiscal year 2023, operating revenues decreased by 1.77%, or \$12,060 from \$681,041 to \$668,981, from the prior year, primarily due to a decrease in water consumption.
- In fiscal year 2023, operating expenses before depreciation expense increased by 54.98% or \$232,984 from \$423,751 to \$656,735, from the prior year, primarily due to increases in general and administrative costs.

REQUIRED FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The Balance Sheet, Statement of Revenues, Expenses and Changes in Net Position and Statement of Cash Flows provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies.

The Balance Sheet includes all of the District's investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing a rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenue and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the success of the District's operations over the past year and can be used to determine if the District has successfully recovered all of its costs through its rates and other charges. This statement can also be used to evaluate profitability and credit worthiness. The final required financial statement is the Statement of Cash Flows, which provides information about the District's cash receipts and cash payments during the reporting period. The Statement of Cash Flows reports cash receipts, cash payments and net changes in cash resulting from operations, investing, non-capital financing, and capital and related financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

DESCANSO COMMUNITY WATER DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2023 (With Comparative Amounts for June 30, 2022)

FINANCIAL ANALYSIS OF THE DISTRICT

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Balance Sheet and the Statement of Revenues, Expenses and Changes in Net Position report information about the District in a way that helps answer this question.

These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the District's net position and changes in them. You can think of the District's net position – the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources – as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, zoning and new or changed government legislation.

Condensed Balance Sheets

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>Change</u>
Assets:			
Current assets	\$ 968,704	\$ 1,097,694	\$ (128,990)
Non-current assets	38,360	37,026	1,334
Capital assets, net	<u>2,946,220</u>	<u>3,067,124</u>	<u>(120,904)</u>
Total assets	<u>\$ 3,953,284</u>	<u>\$ 4,201,844</u>	<u>\$ (248,560)</u>
Liabilities:			
Current liabilities	\$ 124,561	\$ 125,202	\$ (641)
Non-current liabilities	<u>1,941,110</u>	<u>1,994,232</u>	<u>(53,122)</u>
Total liabilities	<u>2,065,671</u>	<u>2,119,434</u>	<u>(53,763)</u>
Net position:			
Net investment in capital assets	951,987	1,022,707	(70,720)
Restricted for debt service	38,360	37,026	1,334
Unrestricted	<u>897,266</u>	<u>1,022,677</u>	<u>(125,411)</u>
Total net position	<u>1,887,613</u>	<u>2,082,410</u>	<u>(194,797)</u>
Total liabilities and net position	<u>\$ 3,953,284</u>	<u>\$ 4,201,844</u>	<u>\$ (248,560)</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets of the District exceeded liabilities by \$1,887,613 as of June 30, 2023.

DESCANSO COMMUNITY WATER DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2023 (With Comparative Amounts for June 30, 2022)

FINANCIAL ANALYSIS OF THE DISTRICT (continued)

Condensed Balance Sheets (continued)

By far the largest portion of the District's net position (50% as of June 30, 2023) reflects the District's investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending.

At the end of year 2023, the District showed a positive balance in its unrestricted net position of \$897,266 which may be utilized in future years.

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

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>Change</u>
Operating revenues	\$ 668,981	\$ 681,041	\$ (12,060)
Operating expenses	<u>(656,735)</u>	<u>(423,751)</u>	<u>(232,984)</u>
Operating income before depreciation	12,246	257,290	(245,044)
Depreciation expense	<u>(162,974)</u>	<u>(70,965)</u>	<u>(92,009)</u>
Operating income	(150,728)	186,325	(337,053)
Non-operating revenues(expenses), net	<u>(44,069)</u>	<u>(53,207)</u>	<u>9,138</u>
Change in net position before capital	(194,797)	133,118	(327,915)
Capital contributions:			
Federal capital grant	<u>-</u>	<u>380,771</u>	<u>(380,771)</u>
Change in net position	(194,797)	513,889	(708,686)
Net position:			
Beginning of year	<u>2,082,410</u>	<u>1,568,521</u>	<u>513,889</u>
End of year	<u>\$ 1,887,613</u>	<u>\$ 2,082,410</u>	<u>\$ (194,797)</u>

The statement of revenues, expenses and changes in net position shows how the District's net position changed during the fiscal years. In the case of the District, net position decreased 9.35%, or \$194,797 from the prior year's net position of \$2,082,410 to \$1,887,613, as a result of the year's operations.

DESCANSO COMMUNITY WATER DISTRICT*Management's Discussion and Analysis (Unaudited)**For the Fiscal Year Ended June 30, 2023 (With Comparative Amounts for June 30, 2022)*

FINANCIAL ANALYSIS OF THE DISTRICT (continued)**Total Revenues**

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>Increase (Decrease)</u>
Operating revenues:			
Water service charges	\$ 437,422	\$ 437,414	\$ 8
Water consumption sales	61,495	68,609	(7,114)
Supplemental debt fees	164,825	164,520	305
Other revenue	5,239	10,498	(5,259)
Total operating revenues	<u>668,981</u>	<u>681,041</u>	<u>(12,060)</u>
Non-operating revenues:			
Investment earnings	4,099	192	3,907
Total non-operating revenues	<u>4,099</u>	<u>192</u>	<u>3,907</u>
Total revenues	<u>\$ 673,080</u>	<u>\$ 681,233</u>	<u>\$ (8,153)</u>

In fiscal year 2023, operating revenues decreased by 1.77%, or \$12,060 from \$681,041 to \$668,981, from the prior year, primarily due to decreases in water consumption. Also, non-operating revenues increased by 2,035%, or \$3,907 from \$192 to \$4,099, primarily due to better returns on the District's investments as a result of rising market interest rates.

DESCANSO COMMUNITY WATER DISTRICT*Management's Discussion and Analysis (Unaudited)**For the Fiscal Year Ended June 30, 2023 (With Comparative Amounts for June 30, 2022)***FINANCIAL ANALYSIS OF THE DISTRICT (continued)****Total Expenses**

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>Increase (Decrease)</u>
Operating expenses:			
Transmission and distribution	\$ 316,752	\$ 308,543	\$ 8,209
Pumping	18,807	14,960	3,847
Water treatment	43,418	17,295	26,123
Repairs and maintenance	53,040	13,928	39,112
General and administrative	224,718	69,025	155,693
Total operating expenses	<u>656,735</u>	<u>423,751</u>	<u>232,984</u>
Depreciation expense	<u>162,974</u>	<u>70,965</u>	<u>92,009</u>
Non-operating expenses:			
Interest expense	<u>48,168</u>	<u>53,399</u>	<u>(5,231)</u>
Total non-operating expenses	<u>48,168</u>	<u>53,399</u>	<u>(5,231)</u>
Total expenses	<u>\$ 867,877</u>	<u>\$ 548,115</u>	<u>\$ 319,762</u>

In fiscal year 2023, operating expenses before depreciation expense increased by 54.98% or \$232,984 from \$423,751 to \$656,735, from the prior year, primarily due to increases in general and administrative costs.

Capital Assets

	<u>Balance June 30, 2023</u>	<u>Balance June 30, 2022</u>
Capital assets:		
Non-depreciable assets	\$ 160,329	\$ 1,045,192
Depreciable assets	3,892,434	2,965,501
Accumulated depreciation	<u>(1,106,543)</u>	<u>(943,569)</u>
Total capital assets, net	<u>\$ 2,946,220</u>	<u>\$ 3,067,124</u>

At the end of year 2023, the District's investment in capital assets amounted to \$2,946,220 (net of accumulated depreciation), respectively. Capital asset additions amounted to \$42,070 for various projects. See Note 5 for further information.

DESCANSO COMMUNITY WATER DISTRICT

Management’s Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2023 (With Comparative Amounts for June 30, 2022)

FINANCIAL ANALYSIS OF THE DISTRICT (continued)

Debt Administration

The long-term debt of the District is summarized below:

Long-term debt:	Balance June 30, 2023	Balance June 30, 2022
Long-term debt payable	<u>\$ 1,994,233</u>	<u>\$ 2,044,417</u>

Long-term debt decreased by a total of \$50,184 for the year ended June 30, 2023. Principal payments were \$50,184. See Note 6 for further information.

NOTES TO THE BASIC FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

CONDITIONS AFFECTING CURRENT AND FUTURE FINANCIAL POSITION

Management is unaware of any item that would affect the District’s current financial position.

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

This financial report is designed to provide the District’s funding sources, customers, stakeholders and other interested parties with an overview of the District’s financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the General Manager, P.O. Box 610, Descanso, CA 91916.

DESCANSO COMMUNITY WATER DISTRICT*Balance Sheets**June 30, 2023 (With Comparative Amounts as of June 30, 2022)*

<u>ASSETS</u>	<u>2023</u>	<u>2022</u>
Current assets:		
Cash and cash equivalents (Note 2)	\$ 827,734	\$ 851,208
Accounts receivable – water service, net (Note 4)	107,605	214,690
Materials and supplies inventory	29,231	29,788
Prepaid expenses and deposits	4,134	2,008
Total current assets	968,704	1,097,694
Non-current assets:		
Restricted – cash and cash equivalents (Note 3)	38,360	37,026
Capital assets – not being depreciated (Note 5)	160,329	1,045,192
Capital assets – being depreciated, net (Note 5)	2,785,891	2,021,932
Total non-current assets	2,984,580	3,104,150
Total assets	\$ 3,953,284	\$ 4,201,844
<u>LIABILITIES AND NET POSITION</u>		
Current liabilities		
Accounts payable and accrued expenses	\$ 48,862	\$ 51,917
Accrued interest payable	22,576	23,100
Long-term liabilities – due within one year:		
Long-term debt payable (Note 6)	53,123	50,185
Total current liabilities	124,561	125,202
Non-current liabilities		
Long-term liabilities – due in more than one year:		
Long-term debt payable (Note 6)	1,941,110	1,994,232
Total non-current liabilities	1,941,110	1,994,232
Total liabilities	2,065,671	2,119,434
NET POSITION		
Net investment in capital assets (Note 7)	951,987	1,022,707
Restricted for debt service (Note 3)	38,360	37,026
Unrestricted	897,266	1,022,677
Total net position	1,887,613	2,082,410
Total liabilities and net position	\$ 3,953,284	\$ 4,201,844

DESCANSO COMMUNITY WATER DISTRICT*Statements of Revenues, Expenses and Changes in Net Position**For the Fiscal Years Ended June 30, 2023 (With Comparative Amounts as of June 30, 2022)*

	<u>2023</u>	<u>2022</u>
Operating revenues:		
Water service charges	\$ 437,422	\$ 437,414
Water consumption sales	61,495	68,609
Supplemental debt fees	164,825	164,520
Other revenue	5,239	10,498
Total operating revenues	<u>668,981</u>	<u>681,041</u>
Operating expenses:		
Transmission and distribution	316,752	308,543
Pumping	18,807	14,960
Water treatment	43,418	17,295
Repairs and maintenance	53,040	13,928
General and administrative	224,718	69,025
Total operating expenses	<u>656,735</u>	<u>423,751</u>
Operating income before depreciation	12,246	257,290
Depreciation expense	<u>(162,974)</u>	<u>(70,965)</u>
Operating income(loss)	<u>(150,728)</u>	<u>186,325</u>
Non-operating revenues(expenses):		
Investment earnings	4,099	192
Interest expense	<u>(48,168)</u>	<u>(53,399)</u>
Total non-operating revenues(expenses), net	<u>(44,069)</u>	<u>(53,207)</u>
Change in net position before capital contributions	<u>(194,797)</u>	<u>133,118</u>
Capital contributions:		
Federal capital grant	<u>-</u>	<u>380,771</u>
Total capital contributions	<u>-</u>	<u>380,771</u>
Change in net position	(194,797)	513,889
Net position		
Beginning of year	<u>2,082,410</u>	<u>1,568,521</u>
End of year	<u>\$ 1,887,613</u>	<u>\$ 2,082,410</u>

DESCANSO COMMUNITY WATER DISTRICT*Statements of Cash Flows**For the Fiscal Years Ended June 30, 2023 (With Comparative Amounts as of June 30, 2022)*

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Cash received from customers and others	\$ 776,066	\$ 636,794
Cash payments for operating expenses	<u>(661,359)</u>	<u>(465,238)</u>
Net cash provided by operating activities	<u>114,707</u>	<u>171,556</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(42,070)	(16,841)
Proceeds from federal capital grants	-	380,771
Principal paid on long-term debt	(50,184)	(20,251)
Interest paid on long-term debt	(48,692)	(53,399)
Proceeds from debt issuance	-	1,542,000
Bridge loan/line of credit payoff	<u>-</u>	<u>(1,492,000)</u>
Net cash provided by (used in) capital and related financing activities	<u>(140,946)</u>	<u>340,280</u>
Cash flows from investing activities:		
Investment earnings	<u>4,099</u>	<u>192</u>
Net cash provided by investing activities	<u>4,099</u>	<u>192</u>
Net increase(decrease) in cash and cash equivalents	<u>(22,140)</u>	<u>512,028</u>
Cash and cash equivalents:		
Beginning of year	<u>888,234</u>	<u>376,206</u>
End of year	<u>\$ 866,094</u>	<u>\$ 888,234</u>
Reconciliation of cash and cash equivalents to the balance sheet:		
Cash and cash equivalents	\$ 827,734	\$ 851,208
Restricted - cash and cash equivalents	<u>38,360</u>	<u>37,026</u>
Total cash and cash equivalents	<u>\$ 866,094</u>	<u>\$ 888,234</u>

DESCANSO COMMUNITY WATER DISTRICT*Statements of Cash Flows(continued)**For the Fiscal Years Ended June 30, 2023 (With Comparative Amounts as of June 30, 2022)*

	<u>2023</u>	<u>2022</u>
Reconciliation of operating income(loss) to net cash provided by operating activities:		
Operating income(loss)	\$ (150,728)	\$ 186,325
Adjustments to reconcile operating income(loss) to net cash provided by operating activities:		
Depreciation	162,974	70,965
Change in assets - (increase)decrease:		
Accounts receivable - water service charges	107,085	(44,247)
Materials and supplies inventory	557	(200)
Prepaid expenses and deposits	(2,126)	(15)
Change in liabilities - increase(decrease):		
Accounts payable and accrued expenses	(3,055)	(41,272)
Total adjustments	<u>265,435</u>	<u>(14,769)</u>
Net cash provided by operating activities	<u>\$ 114,707</u>	<u>\$ 171,556</u>

DESCANSO COMMUNITY WATER DISTRICT

Notes to Financial Statements

June 30, 2023 (With Comparative Amounts as of June 30, 2022)

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Description of Organization

The Descanso Community Water District (District) was formed in 1983 under the provisions of the California Government Code, Section 61000 et. seq., the Community Services District Law. The district was formed 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. The Descanso Community Water District includes the accounts of the District and the Descanso Community Services District Facilities Corporation as blended component units.

The Descanso Community Services District Facilities Corporation (Corporation) was organized on March 6, 1998, as a nonprofit public benefit corporation, solely for the purpose of providing financial assistance to the District.

B. Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, and agencies that are not legally separate from the District.

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Statements No. 61, The Financial Reporting Entity. The District is the primary governmental unit based on the foundation of a separately elected governing board that is elected by the citizens in a general popular election. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District is financially accountable if it appoints a voting majority of the organization's governing body and: 1) It is able to impose its will on that organization, or 2) There is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The District has no component units as of year-end.

C. Basis of Presentation, Basis of Accounting

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied.

Operating revenues are those revenues that are generated from the primary operations of the District. The District reports a measure of operations by presenting the change in net position from operations as operating income in the statement of revenues, expenses, and changes in net position. Operating activities are defined by the District as all activities other than financing and investing activities (interest expense and investment income), grants and subsidies, and other infrequently occurring transactions of a non-operating nature. Operating expenses are those expenses that are essential to the primary operations of the District. All other expenses are reported as non-operating expenses.

DESCANSO COMMUNITY WATER DISTRICT

Notes to Financial Statements

June 30, 2023 (With Comparative Amounts as of June 30, 2022)

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, and Net Position

1. Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid investments with a maturity of three months or less, when purchased, to be cash equivalents. Cash deposits are reported at carrying amount, which reasonably estimates fair value.

2. Restricted Assets

Amounts shown as restricted assets have been restricted by either bond indentures, external constraints, or laws and regulations of other governments.

3. Receivables and Allowance for Doubtful Accounts

Customer accounts receivable consist of amounts owed by private individuals and organizations for services rendered in the regular course of business operations. Receivables are shown net of allowances for doubtful accounts. Uncollectable accounts are based on prior experience and management's assessment of the collectability of existing accounts.

4. Materials and Supplies Inventory

Materials and supplies inventory is maintained by the District and consist primarily of parts retained for use in the District's equipment. The inventory is valued at cost using the first-in, first-out method.

5. Prepaid Expenses and Deposits

Certain payments of vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses or deposits on account.

6. Capital Assets

Capital assets are stated at cost or at their estimated fair value at date of contribution. It is the District's policy to capitalize assets costing over \$5,000. The provision for depreciation is computed using the straight-line method over the estimated service lives of the capital assets. The estimated service lives of the capital assets range from 3 to 40 years.

7. Net Position

Net position is classified into three components: net investment in capital assets, restricted and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets** - This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- **Restricted net position** - This component of net position consists of items that do not meet the definition of "investment in capital assets" that are reserved for a specific purpose by covenants, grants, contracts or regulatory requirements.

DESCANSO COMMUNITY WATER DISTRICT

Notes to Financial Statements

June 30, 2023 (With Comparative Amounts as of June 30, 2022)

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Net Position (continued)

- **Unrestricted net position** - This component of net position consists of net position that does not meet the definition of "investment in capital assets".

E. 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 expenditures during the reported period. Actual results could differ from those estimates.

F. Reclassifications

Certain amounts from the prior year have been reclassified to conform to the current year's presentation.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents were classified in the accompanying financial statement as follows:

Description	2023	2022
Cash and cash equivalents	\$ 827,734	\$ 851,208
Restricted – cash and cash equivalents	38,360	37,026
Total cash and cash equivalents	\$ 866,094	\$ 888,234

Cash and cash equivalents consisted of the following as of June 30:

Description	2023	2022
Demand deposits with financial institutions	\$ 24,375	\$ 20,074
Money market mutual funds	841,719	868,160
Total cash and cash equivalents	\$ 866,094	\$ 888,234

Demand Deposits with Financial Institutions

At June 30 2023, the carrying amount of the District's demand deposits was \$24,375 and the financial institution's balances was \$26,894. The net difference represents outstanding checks, deposits-in-transit and/or other reconciling items between the financial institution's balance and the District's balance for each year.

DESCANSO COMMUNITY WATER DISTRICT

Notes to Financial Statements

June 30, 2023 (With Comparative Amounts as of June 30, 2022)

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

Money-Market Funds

Money-market funds are an investment whose objective is to earn modest investment earnings while maintaining a net asset value (NAV) of \$1 per share (which is the funds main goal – preservation of principal). A money-market fund's portfolio is typically comprised of short-term, or less than one year, securities representing high-quality, liquid debt and monetary instruments with minimal credit risk. Money-market funds are Level 1 investments (with quoted prices in active markets for identical assets) that are Not Rated under the current credit risk ratings format. For financial reporting purposes, the District considers money market funds a cash equivalent due to their highly liquid nature and NAV of \$1 per share. As of June 30, 2023, the District held \$841,719 in money market funds.

NOTE 3 – RESTRICTED ASSETS AND NET ASSETS

The balance at June 30, 2023 consists of the following:

Description	2023	2022
Restricted – cash and cash equivalents	\$ 38,360	\$ 37,026
Restricted net position for debt service	\$ 38,360	\$ 37,026

Restricted cash consists of related debt service reserve funds. The debt service funds are invested in money market mutual funds with US Bank.

NOTE 4 – ACCOUNTS RECEIVABLE, NET

The balance at June 30, 2023 consists of the following:

Description	2023	2022
Water service fees	\$ 267,095	\$ 217,871
Allowance for doubtful accounts	(159,490)	(3,181)
Accounts receivable, net	\$ 107,605	\$ 214,690

DESCANSO COMMUNITY WATER DISTRICT
Notes to Financial Statements
June 30, 2023 (With Comparative Amounts as of June 30, 2022)

NOTE 5 – CAPITAL ASSETS AND DEPRECIATION

Changes in capital assets for the fiscal year ended June 30, 2023, were as follows:

Description	Balance July 1, 2022	Additions	Deletions/ Transfers	Balance June 30, 2023
Non-depreciable assets:				
Land	\$ 152,779	\$ -	\$ -	\$ 152,779
Easements	7,550	-	-	7,550
Construction-in-process	884,863	42,070	(926,933)	-
Total non-depreciable assets	1,045,192	42,070	(926,933)	160,329
Depreciable assets:				
Transmission and distribution mains	2,512,404	-	-	2,512,404
Treatment facility	-	926,933	-	926,933
Reservoirs and tanks	294,879	-	-	294,879
Wells	135,345	-	-	135,345
Tools and equipment	22,873	-	-	22,873
Total depreciable assets	2,965,501	926,933	-	3,892,434
Accumulated depreciation:				
Transmission and distribution mains	(645,400)	(58,474)	-	(703,874)
Treatment facility	-	(92,693)	-	(92,693)
Reservoirs and tanks	(172,494)	(6,995)	-	(179,489)
Wells	(102,803)	(4,812)	-	(107,615)
Tools and equipment	(22,872)	-	-	(22,872)
Total accumulated depreciation	(943,569)	(162,974)	-	(1,106,543)
Total depreciable assets, net	2,021,932	763,959	-	2,785,891
Total capital assets, net	\$ 3,067,124	\$ 806,029	\$ (926,933)	\$ 2,946,220

NOTE 6 – LONG-TERM DEBT PAYABLE

Changes in long-term debt payable for the year ended June 30, 2023, were as follows:

Description	Balance July 1, 2022	Additions	Payments	Balance June 30, 2023	Current Portion	Long-term Portion
Loan payable – County of San Diego	\$ 108,181	\$ -	\$ (4,184)	\$ 103,997	\$ 4,323	\$ 99,674
Loan payable – Rural development agency	394,236	-	(17,000)	377,236	17,800	359,436
USDA Series 2021A	1,492,000	-	(23,000)	1,469,000	24,000	1,445,000
USDA Series 2021B	50,000	-	(6,000)	44,000	\$7,000	37,000
Total	\$ 2,044,417	\$ -	\$ (50,184)	\$ 1,994,233	\$ 53,123	\$ 1,941,110

DESCANSO COMMUNITY WATER DISTRICT

Notes to Financial Statements

June 30, 2023 (With Comparative Amounts as of June 30, 2022)

NOTE 6 – LONG-TERM DEBT PAYABLE (continued)

Loan Payable – County of San Diego

The District entered into a utility construction agreement with the County of San Diego on April 28, 2008 for \$146,264. The loan was to fund the Viejas Boulevard waterline removal and replacement that was necessary in order to replace the Viejas Boulevard Bridge. The project was completed in January 2010. The loan bears interest at 3.30% and annual principal and interest payments of \$7,754 beginning January 22, 2012 through January 22, 2041. Annual debt service requirements for the loan payable are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 4,323	\$ 3,431	\$ 7,754
2025	4,465	3,289	7,754
2026	4,613	3,141	7,754
2027	4,765	2,989	7,754
2028	4,922	2,832	7,754
2029-2033	27,157	11,619	38,776
2034-2038	31,943	6,829	38,772
2039-2041	21,809	1,455	23,264
Total	103,997	\$ 35,585	\$ 139,582
Current	(4,323)		
Long-term	\$ 99,674		

Loan Payable – Rural Development Agency

The District entered into an installment sale agreement with the Descanso Community Services District Facilities Corporation for \$650,000. The loan bears interest at 4.75%, and semi-annual principal and interest payments beginning October 1, 1998 through April 1, 2038. Annual debt service requirements for the loan payable are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 17,800	\$ 17,710	\$ 35,510
2025	18,600	16,855	35,455
2026	19,400	15,962	35,362
2027	20,400	15,028	35,428
2028	21,400	14,047	35,447
2029-2033	123,300	53,824	177,124
2034-2038	156,336	20,936	177,272
Total	377,236	\$ 154,362	\$ 531,598
Current	(17,800)		
Long-term	\$ 359,436		

DESCANSO COMMUNITY WATER DISTRICT

Notes to Financial Statements

June 30, 2023 (With Comparative Amounts as of June 30, 2022)

NOTE 6 – LONG-TERM DEBT PAYABLE (continued)

Loan Payable – USDA Series 2021A

On July 27, 2021, the District obtained \$1,492,000 Certificates of Participation from the Rural Utilities Service. The Certificates of Participation bear interest at a rate of 1.75%, requires a reserve fund equal to one year’s debt service, and matures on July 1, 2061. Semi-annual payments are due on January 1 and July 1 of each year. This financing was used to pay off a bridge loan the District had previously maintained. Annual debt service requirements for the loan payable are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 24,000	\$ 25,498	\$ 49,498
2025	24,000	25,078	49,078
2026	25,000	24,649	49,649
2027	26,000	24,203	50,203
2028	26,000	23,748	49,748
2029-2033	140,000	111,580	251,580
2034-2038	157,000	98,604	255,604
2039-2043	174,000	84,140	258,140
2044-2048	195,000	68,031	263,031
2049-2053	220,000	49,875	269,875
2054-2058	245,000	29,531	274,531
2059-2062	213,000	7,516	220,516
Total	1,469,000	\$ 572,453	\$ 2,041,453
Current	(24,000)		
Long-term	\$ 1,445,000		

Loan Payable – USDA Series 2021B

On July 27, 2021, the District obtained \$409,000 Certificates of Participation from the Rural Utilities Service. The Certificates of Participation bear interest at a rate of 1.75% and mature on July 1, 2061. Semi-annual payments are due on January 1 and July 1 of each year. As of June 30, 2023 the District has only drawn down \$50,000 out of the \$409,000 of this loan. An updated payment schedule has not been provided.

NOTE 7 – NET INVESTMENT IN CAPITAL ASSETS

<u>Description</u>	<u>June 30, 2023</u>
Net investment in capital assets:	
Capital assets - not being depreciated	\$ 160,329
Capital assets, net - being depreciated	2,785,891
Long-term debt payable – current portion	(53,123)
Long-term debt payable – non-current portion	(1,941,110)
Total net investment in capital assets	\$ 951,987

DESCANSO COMMUNITY WATER DISTRICT

Notes to Financial Statements

June 30, 2023 (With Comparative Amounts as of June 30, 2022)

NOTE 8 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The District has purchased commercial insurance products to guard against the various risks of loss noted above. The District maintains workers' compensation coverage and employer's liability coverage in accordance with the statutory requirements of the State of California.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the District's insurance coverage during the years ending June 30, 2023, 2022, and 2021. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2023, 2022, and 2021.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Excluded Leases – Short-Term Leases and De Minimis Leases

The District does not recognize a lease receivable and a deferred inflow of resources for short-term leases. Short-term leases are certain leases that have a maximum possible term under the lease contract of 12-months (or less), including any options to extend, regardless of their probability of being exercised.

Also, *de minimis* lessor or lessee leases are certain leases (i.e., room rental, copiers, printers, postage machines) that regardless of their lease contract period are *de minimis* with regards to their aggregate total dollar amount to the financial statements as a whole.

Grant Awards

Grant funds received by the District are subject to audit by the grantor agencies. Such audit could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under terms of the grant. Management of the District believes that such disallowances, if any, would not be significant.

Litigation

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, if any, will not materially affect its financial condition

NOTE 10 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through December 20, 2023, the date which the financial statements were available to be issued.

Other Independent Auditors' Reports



A Professional Accountancy Corporation

INDEPENDENT AUDITORS' 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

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 (District) which comprise the balance sheet as of June 30, 2023, and the related statements of revenues, expenses and changes in net position and cash flows for the fiscal year then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 20, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 District'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 or significant deficiencies may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Murrieta, California
December 20, 2023

Item 7

FINANCIAL REPORT:

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

Notes:

Descanso Community Water District
Statement of Net Position
As of December 31, 2023

	Dec 31, 23
ASSETS	
Current Assets	
Checking/Savings	
Cash and Cash Equivalents	
Cash	
General Fund7573-Cal Bank	
Installment Fund-USDA Series 21	37,649
Reserve Fund-USDA Series 2021	14,997
Depr Reserve-USDA Series 2021	11,468
General Fund7573-Cal Bank - Other	195,422
Total General Fund7573-Cal Bank	259,536
Checking7680-Cal Bank	19,541
Emgncy/Cap ImproveFund-Cal Bank	568,903
Installment Fund - US Bank	2,057
Reserve Fund - US Bank	37,313
Total Cash	887,350
Total Cash and Cash Equivalents	887,350
Total Checking/Savings	887,350
Accounts Receivable	
Customer Accounts Receivable	
Customer Accounts Receivable	274,626
Total Customer Accounts Receivable	274,626
Allowance for Doubtful Accounts	-164,520
Total Accounts Receivable	110,106
Other Current Assets	
Security Deposits	3,710
Materials and Supplies	29,231
Prepayments	808
Total Other Current Assets	33,749
Total Current Assets	1,031,205
Fixed Assets	
Utility Plant-At Original Cost	
Utility plant-original cost	
Land & Ld Rights-TD	160,329
Fe/Mn Treatment Facility	926,933
Struct & Improv-Pump	7,764
Pumping Struct & Improvement	4,139
Pumping Struct & Improvements	9,419
Wells & Springs	135,345
Dist Res & Standpipes	6,250
Dist. Res & Standpipes	288,629
T & D Mains-4" and less	3,635
T & D Mains-6"-8"	2,125,652
T & D Mains -12"	194,866
Services	36,108

Descanso Community Water District
Statement of Net Position
As of December 31, 2023

	Dec 31, 23
Meters	51,594
Hydrants	13,171
Other T&D Plant	44,931
Fencing	9,977
Other P/E - Eng Evaluation	11,148
Power Operated Equipment	854
Tools/Shop/Garage Equip	1,875
Miscellaneous Equipment	20,143
Total Utility plant-original cost	4,052,762
Total Utility Plant-At Original Cost	4,052,762
Accumulated Depreciation	-1,187,936
Total Fixed Assets	2,864,826
Other Assets	
Uncapitalized Fixed Assets -WIP	6,084
Total Other Assets	6,084
TOTAL ASSETS	3,902,115
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	50,663
Other Current Liabilities	
Current Portion of LTD	
Loan Payable - US Bank	18,200
Loan Payable - SD County	4,323
USDA Series 2021A Short Term	24,000
USDA Series 2021B Short Term	7,000
Total Current Portion of LTD	53,523
Interest Accrued	23,916
Total Other Current Liabilities	77,439
Total Current Liabilities	128,102
Long Term Liabilities	
Long-Term Debt	
Loan Payable - US Bank 4/2038	350,236
Loan Payable-SD County 1/2041	99,674
USDA Series 2021A Long Term	1,421,000
USDA Series 2021B Long Term	30,000
Total Long-Term Debt	1,900,910
Total Long Term Liabilities	1,900,910
Total Liabilities	2,029,012
Equity	
Previous Net Position	1,887,613
Net Income	-14,508
Total Equity	1,873,105
TOTAL LIABILITIES & EQUITY	3,902,117

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

	<u>Oct 23</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>	<u>Nov 23</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>
Ordinary Income/Expense								
Income								
Operating Revenues	43,160	43,592	-432	99%	41,822	40,962	860	102%
Total Income	43,160	43,592	-432	99%	41,822	40,962	860	102%
Gross Profit	43,160	43,592	-432	99%	41,822	40,962	860	102%
Expense								
Operating Expenses	1,855	1,346	509	138%	2,016	1,552	464	130%
Water Treatment	7,139	6,247	892	114%	690	1,103	-413	63%
Repairs and Maintenance	3,486	1,481	2,005	235%	6,092	1,481	4,611	411%
Transmission & Distribution	26,767	29,147	-2,380	92%	27,204	29,148	-1,944	93%
Depreciation	13,557	13,557	0	100%	13,557	13,557	0	100%
General & Administrative	6,841	7,352	-511	93%	11,984	5,644	6,340	212%
Total Expense	59,645	59,130	515	101%	61,543	52,485	9,058	117%
Net Ordinary Income	-16,485	-15,538	-947	106%	-19,721	-11,523	-8,198	171%
Other Income/Expense								
Other Income								
Treatment Plant Project Charge	7,687	7,688	-1	100%	7,663	7,687	-24	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	1,320	230	1,090	574%	1,244	230	1,014	541%
Total Other Income	15,131	14,042	1,089	108%	15,012	14,041	971	107%
Other Expense								
Interest Expense	4,429	4,470	-41	99%	4,429	4,470	-41	99%
Total Other Expense	4,429	4,470	-41	99%	4,429	4,470	-41	99%
Net Other Income	10,702	9,572	1,130	112%	10,583	9,571	1,012	111%
Net Income	<u>-5,783</u>	<u>-5,966</u>	<u>183</u>	<u>97%</u>	<u>-9,138</u>	<u>-1,952</u>	<u>-7,186</u>	<u>468%</u>

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

					TOTAL			
	Dec 23	Budget	\$ Over Budget	% of Budget	Oct - Dec 23	Budget	\$ Over Budget	% of Budget
Ordinary Income/Expense								
Income								
Operating Revenues	39,907	41,619	-1,712	96%	124,889	126,173	-1,284	99%
Total Income	39,907	41,619	-1,712	96%	124,889	126,173	-1,284	99%
Gross Profit	39,907	41,619	-1,712	96%	124,889	126,173	-1,284	99%
Expense								
Operating Expenses	935	1,050	-115	89%	4,806	3,948	858	122%
Water Treatment	13,238	6,335	6,903	209%	21,067	13,685	7,382	154%
Repairs and Maintenance	857	1,481	-624	58%	10,435	4,443	5,992	235%
Transmission & Distribution	27,519	29,148	-1,629	94%	81,490	87,443	-5,953	93%
Depreciation	13,557	13,557	0	100%	40,671	40,671	0	100%
General & Administrative	15,134	5,876	9,258	258%	33,959	18,872	15,087	180%
Total Expense	71,240	57,447	13,793	124%	192,428	169,062	23,366	114%
Net Ordinary Income	-31,333	-15,828	-15,505	198%	-67,539	-42,889	-24,650	157%
Other Income/Expense								
Other Income								
Treatment Plant Project Charge	7,639	7,687	-48	99%	22,989	23,062	-73	100%
Viejas Grade Project Charge	1,581	1,592	-11	99%	4,758	4,774	-16	100%
Supp Debt Charge	4,505	4,533	-28	99%	13,557	13,599	-42	100%
Interest Income	1,185	230	955	515%	3,749	690	3,059	543%
Total Other Income	14,910	14,042	868	106%	45,053	42,125	2,928	107%
Other Expense								
Interest Expense	4,429	4,470	-41	99%	13,287	13,410	-123	99%
Total Other Expense	4,429	4,470	-41	99%	13,287	13,410	-123	99%
Net Other Income	10,481	9,572	909	109%	31,766	28,715	3,051	111%
Net Income	-20,852	-6,256	-14,596	333%	-35,773	-14,174	-21,599	252%

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

	<u>Jul 23</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>	<u>Aug 23</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>
Ordinary Income/Expense								
Income								
Operating Revenues	56,762	44,473	12,289	128%	46,365	44,473	1,892	104%
Total Income	56,762	44,473	12,289	128%	46,365	44,473	1,892	104%
Gross Profit	56,762	44,473	12,289	128%	46,365	44,473	1,892	104%
Expense								
Operating Expenses	2,360	1,570	790	150%	3,818	1,615	2,203	236%
Water Treatment	405	6,127	-5,722	7%	180	6,743	-6,563	3%
Repairs and Maintenance	1,017	1,470	-453	69%	6,383	1,470	4,913	434%
Transmission & Distribution	27,484	29,148	-1,664	94%	26,889	29,148	-2,259	92%
Depreciation	13,574	13,574	0	100%	13,574	13,574	0	100%
General & Administrative	9,362	6,662	2,700	141%	4,970	5,644	-674	88%
Total Expense	54,202	58,551	-4,349	93%	55,814	58,194	-2,380	96%
Net Ordinary Income	2,560	-14,078	16,638	-18%	-9,449	-13,721	4,272	69%
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%
Other Non-Operating Income	69				0			
Interest Income	1,166	230	936	507%	1,242	230	1,012	540%
Total Other Income	15,003	14,042	961	107%	15,010	14,041	969	107%
Other Expense								
Interest Expense	1,323	4,505	-3,182	29%	4,464	4,505	-41	99%
Total Other Expense	1,323	4,505	-3,182	29%	4,464	4,505	-41	99%
Net Other Income	13,680	9,537	4,143	143%	10,546	9,536	1,010	111%
Net Income	<u>16,240</u>	<u>-4,541</u>	<u>20,781</u>	<u>-358%</u>	<u>1,097</u>	<u>-4,185</u>	<u>5,282</u>	<u>-26%</u>

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

	<u>Sep 23</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>	<u>Oct 23</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>
Ordinary Income/Expense								
Income								
Operating Revenues	43,611	43,638	-27	100%	43,160	43,592	-432	99%
Total Income	43,611	43,638	-27	100%	43,160	43,592	-432	99%
Gross Profit	43,611	43,638	-27	100%	43,160	43,592	-432	99%
Expense								
Operating Expenses	2,480	1,292	1,188	192%	1,855	1,346	509	138%
Water Treatment	400	1,703	-1,303	23%	7,139	6,247	892	114%
Repairs and Maintenance	505	1,470	-965	34%	3,486	1,481	2,005	235%
Transmission & Distribution	26,959	29,148	-2,189	92%	26,767	29,147	-2,380	92%
Depreciation	13,574	13,574	0	100%	13,557	13,557	0	100%
General & Administrative	6,271	5,876	395	107%	6,841	7,352	-511	93%
Total Expense	50,189	53,063	-2,874	95%	59,645	59,130	515	101%
Net Ordinary Income	-6,578	-9,425	2,847	70%	-16,485	-15,538	-947	106%
Other Income/Expense								
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%
Other Non-Operating Income	0				0			
Interest Income	1,200	230	970	522%	1,320	230	1,090	574%
Total Other Income	14,968	14,042	926	107%	15,131	14,042	1,089	108%
Other Expense								
Interest Expense	4,464	4,505	-41	99%	4,429	4,470	-41	99%
Total Other Expense	4,464	4,505	-41	99%	4,429	4,470	-41	99%
Net Other Income	10,504	9,537	967	110%	10,702	9,572	1,130	112%
Net Income	<u>3,926</u>	<u>112</u>	<u>3,814</u>	<u>3,505%</u>	<u>-5,783</u>	<u>-5,966</u>	<u>183</u>	<u>97%</u>

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

	<u>Nov 23</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>	<u>Dec 23</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>
Ordinary Income/Expense								
Income								
Operating Revenues	41,822	40,962	860	102%	39,907	41,619	-1,712	96%
Total Income	41,822	40,962	860	102%	39,907	41,619	-1,712	96%
Gross Profit	41,822	40,962	860	102%	39,907	41,619	-1,712	96%
Expense								
Operating Expenses	2,016	1,552	464	130%	935	1,050	-115	89%
Water Treatment	690	1,103	-413	63%	13,238	6,335	6,903	209%
Repairs and Maintenance	6,092	1,481	4,611	411%	857	1,481	-624	58%
Transmission & Distribution	27,204	29,148	-1,944	93%	27,519	29,148	-1,629	94%
Depreciation	13,557	13,557	0	100%	13,557	13,557	0	100%
General & Administrative	11,984	5,644	6,340	212%	15,134	5,876	9,258	258%
Total Expense	61,543	52,485	9,058	117%	71,240	57,447	13,793	124%
Net Ordinary Income	-19,721	-11,523	-8,198	171%	-31,333	-15,828	-15,505	198%
Other Income/Expense								
Other Income								
Treatment Plant Project Charge	7,663	7,687	-24	100%	7,639	7,687	-48	99%
Viejas Grade Project Charge	1,586	1,591	-5	100%	1,581	1,592	-11	99%
Supp Debt Charge	4,519	4,533	-14	100%	4,505	4,533	-28	99%
Other Non-Operating Income	0				0			
Interest Income	1,244	230	1,014	541%	1,185	230	955	515%
Total Other Income	15,012	14,041	971	107%	14,910	14,042	868	106%
Other Expense								
Interest Expense	4,429	4,470	-41	99%	4,429	4,470	-41	99%
Total Other Expense	4,429	4,470	-41	99%	4,429	4,470	-41	99%
Net Other Income	10,583	9,571	1,012	111%	10,481	9,572	909	109%
Net Income	<u>-9,138</u>	<u>-1,952</u>	<u>-7,186</u>	<u>468%</u>	<u>-20,852</u>	<u>-6,256</u>	<u>-14,596</u>	<u>333%</u>

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

	TOTAL			
	Jul - Dec 23	Budget	\$ Over Budget	% of Budget
Ordinary Income/Expense				
Income				
Operating Revenues	271,627	258,757	12,870	105%
Total Income	271,627	258,757	12,870	105%
Gross Profit	271,627	258,757	12,870	105%
Expense				
Operating Expenses	13,464	8,425	5,039	160%
Water Treatment	22,052	28,258	-6,206	78%
Repairs and Maintenance	18,340	8,853	9,487	207%
Transmission & Distribution	162,822	174,887	-12,065	93%
Depreciation	81,393	81,393	0	100%
General & Administrative	54,562	37,054	17,508	147%
Total Expense	352,633	338,870	13,763	104%
Net Ordinary Income	-81,006	-80,113	-893	101%
Other Income/Expense				
Other Income				
Treatment Plant Project Charge	45,978	46,123	-145	100%
Viejas Grade Project Charge	9,516	9,548	-32	100%
Supp Debt Charge	27,114	27,199	-85	100%
Other Non-Operating Income	69			
Interest Income	7,357	1,380	5,977	533%
Total Other Income	90,034	84,250	5,784	107%
Other Expense				
Interest Expense	23,538	26,925	-3,387	87%
Total Other Expense	23,538	26,925	-3,387	87%
Net Other Income	66,496	57,325	9,171	116%
Net Income	-14,510	-22,788	8,278	64%

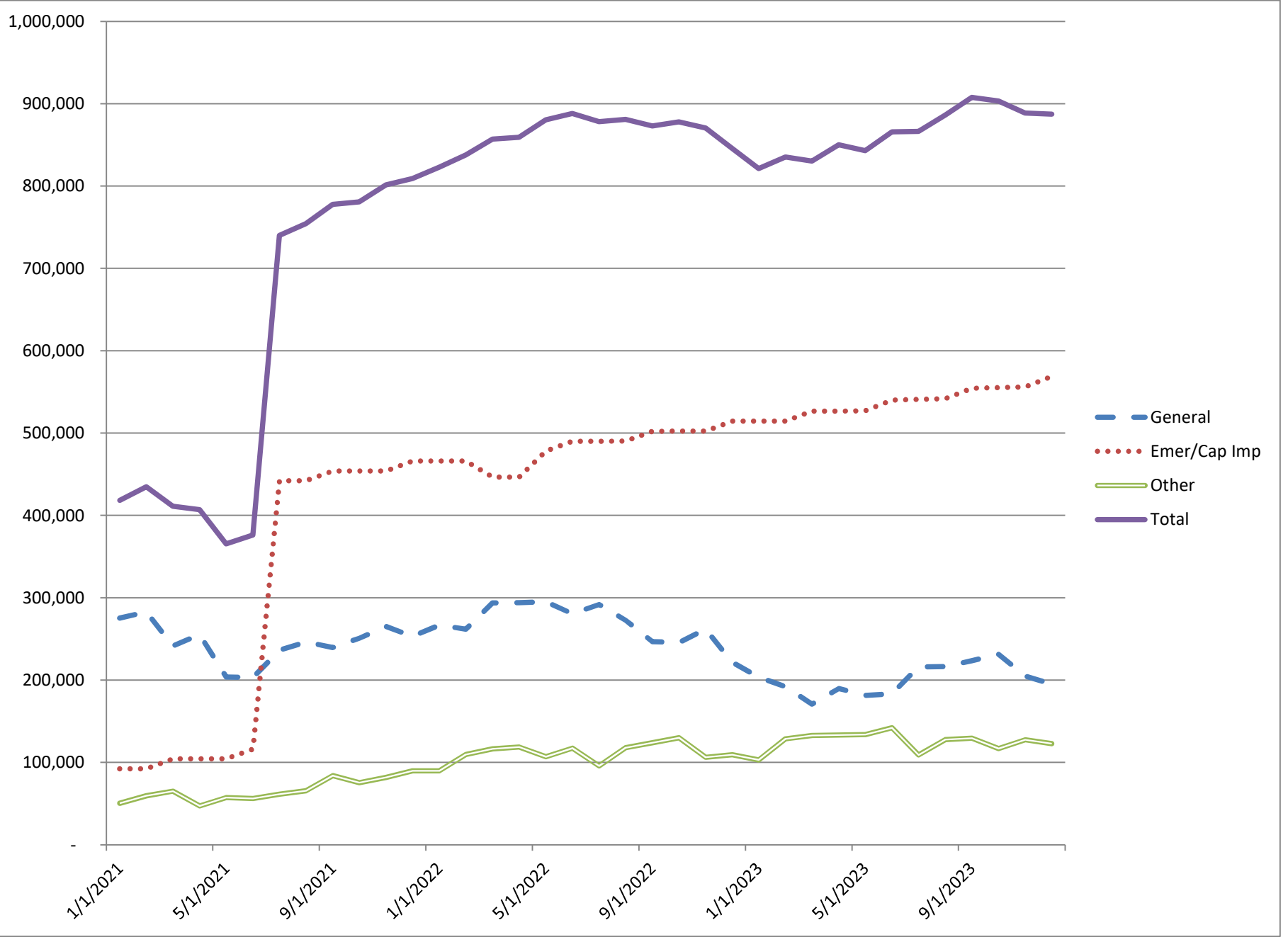
Descanso Community Water District
Statement of Cash Flows
October through December 2023

	Oct - Dec 23
OPERATING ACTIVITIES	
Net Income	-35,770
Adjustments to reconcile Net Income to net cash provided by operations:	
Customer Accounts Receivable:Customer Accounts Receivable	-11,906
Customer Accounts Receivable:Customer Accounts Receivable:Customer Prepayments	1,890
Allowance for Doubtful Accounts	2,540
Prepayments:G&A	89
Prepayments:Taxes/Fees	-431
Accts Pay - General	-811
Accts Pay - Accrued	-6,503
Interest Accrued:Int Accr-LTD-Outside	4,328
Net cash provided by Operating Activities	-46,574
INVESTING ACTIVITIES	
Accumulated Depreciation:Utility Plant-Acc Depr	40,670
Uncapitalized Fixed Assets -WIP	-414
Uncapitalized Fixed Assets -WIP:Well #5-Fe/Mn Plant:Task 08 (\$232209)	-2,628
Uncapitalized Fixed Assets -WIP:Well #6-Fe/Mn Plant:Task 08 (\$232209)	-2,628
Net cash provided by Investing Activities	35,000
FINANCING ACTIVITIES	
Current Portion of LTD:Loan Payable - US Bank	400
Long-Term Debt:Loan Payable - US Bank 4/2038	-9,200
Net cash provided by Financing Activities	-8,800
Net cash increase for period	-20,374
Cash at beginning of period	907,724
Cash at end of period	887,349

Descanso Community Water District
Statement of Cash Flows
 July through December 2023

	Jul - Dec 23
OPERATING ACTIVITIES	
Net Income	-14,508
Adjustments to reconcile Net Income to net cash provided by operations:	
Customer Accounts Receivable:Customer Accounts Receivable	-8,651
Customer Accounts Receivable:Customer Accounts Receivable:Customer Prepayments	1,120
Allowance for Doubtful Accounts	5,030
Prepayments:G&A	177
Prepayments:Taxes/Fees	-561
Accts Pay - General	8,842
Accts Pay - Accrued	-7,042
Interest Accrued:Int Accr-LTD-Outside	1,340
Net cash provided by Operating Activities	-14,253
INVESTING ACTIVITIES	
Accumulated Depreciation:Utility Plant-Acc Depr	81,392
Uncapitalized Fixed Assets -WIP	-828
Uncapitalized Fixed Assets -WIP:Well #5-Fe/Mn Plant:Task 08 (\$232209)	-2,628
Uncapitalized Fixed Assets -WIP:Well #6-Fe/Mn Plant:Task 08 (\$232209)	-2,628
Net cash provided by Investing Activities	75,308
FINANCING ACTIVITIES	
Current Portion of LTD:Loan Payable - US Bank	400
Long-Term Debt:Loan Payable - US Bank 4/2038	-9,200
Long-Term Debt:USDA Series 2021A Long Term	-24,000
Long-Term Debt:USDA Series 2021B Long Term	-7,000
Net cash provided by Financing Activities	-39,800
Net cash increase for period	21,255
Cash at beginning of period	866,094
Cash at end of period	887,349

DCWD Cash Flow Balances



MEMORANDUM

To:	Ruby Brungess Descanso Community Water District	Date:	14 March 2024
From:	NV5, Inc. James F. Owens, PE	Subject:	2017 Water System Improvements
Subject:	Update to Board of Directors		

Purpose of Memorandum

This memorandum provides an update on the status of the 2017 Water System Improvements Project (Project). Specifically, this memorandum provides an update on the status of bidding of the Well Drilling and Destruction Project (Well No. 6 site) and of the iron and manganese treatment facility.

Well Drilling and Destruction Project (Well No. 6 Site)

DCWD advertised the Call for Bids for this construction project on October 13, 2023. Two bids were received on December 7, 2023. DCWD's Board of Directors authorized issuing a Notice of Award to Stehly Brothers Drilling at its December 2023 regular board meeting.

Following the issuance of the Notice of Award, Stehly Brothers Drilling provided bonds and insurance certificates for review by DCWD. DCWD provided these to its legal counsel for review. DCWD's counsel found the bonds to be acceptable, meeting the requirements noted in the construction bidding documents. DCWD's counsel did not find the insurance coverages presented by Stehly Brothers Drilling acceptable. Stehly Brothers Drilling has provided additional information regarding the insurance coverages to DCWD. DCWD's legal counsel is currently reviewing the additional information provided by Stehly Brothers Drilling. It is anticipated that Stehly Brothers Drilling will submit a revised insurance certificate for review by DCWD following legal counsel's current review. Until a satisfactory certificate of insurance is provided, a construction agreement with Stehly Brothers Drilling cannot be executed.

Iron and Manganese Treatment Facility

DCWD advertised the Call for Bids for this construction project on November 3, 2023. No bids were received at the December 14, 2023 scheduled public bid opening. DCWD's Board of Directors, at its December 2023 regular board meeting, requested that NV5 assist DCWD solicit bids anew for the construction of the treatment facility. This task included obtaining updated pricing from the treatment equipment manufacturer (AdEdge). NV5 contacted AdEdge in December 2023 to request updated pricing for the provision of equipment so that the bidding documents could be updated for the forthcoming bidding process.

In early March 2024, AdEdge confirmed that it could hold its pricing for the treatment equipment provision through June 2024, and potentially beyond this date. NV5 subsequently updated the Call for Bids and the bidding documents for the treatment facility's construction. The Call for Bids will advertise shortly, with a bid opening projected for May 2024. Publications and plan rooms are anticipated to include The Alpine Sun; Associated General Contractors of America, San Diego Chapter; and BidNet (ebidboard.com).

* * * *

DCWD OPERATIONS REPORT

March 19th, 2024

SUMMARY

- Normal day to day operations of the district
- We recently had a call for dirty yellow/brown water at one customer's house, Cameron flushed nearby and had them flush their lines as well. The suspected cause is that the house may have been vacant for some time but that is not determined yet. We have gotten no update from the customer yet on whether the issue has cleared up or not. Cameron may take samples of their water if the issue continues.
- We have had a couple of leaks within the past few months that were on the customer side and found while meter reading. For each leak Cameron alerted the customer and offered to shut the water off until they could get it fixed, some accepted the shut off while some declined.
- Abigail painted the storage container at Well 5.
- We have had a customer with a complaint of "black crud" in her toilet that will not go away. Cameron, Fernando, Estevan, and Abigail all investigated the complaint and took water samples from the customer's home to try and determine the cause of the issue.
- DCWD was approved for the SWRWB Arrearage Payment Program which will significantly help bring down the past due balance that got so high during the Covid restrictions.

3 MONTHS LOOK AHEAD

- Since Descanso was recently approved for the SWRWB Arrearage Payment Program, we will be working on that as soon as we receive the granted funds either via check or straight in the bank account.
- We plan to continue changing out old/dead meters now that the weather is getting nicer.
- Continue to work on learning the LIHWAP program and distributing notice of it to the customers.
- Routine flushing.
- Distribute shut off notice door tags for non-payment.



Change Order No. 06
to Task Order No. 08 Dated: 29 December 2015

Date 21 March 2024
Task Order No. 08
NV5 Project No. SDB084308
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

Fe and Mn Transmission Pipeline Improvements – Design Services

Descanso, San Diego County, CA

NV5, Inc. will perform the following additional services:

- See scope of services dated March 14, 2024

Fee for Additional Services Described Above:

Original Contract Fee: \$ 188,450.00
Previous Changes: \$ 275,969.00
This Change: \$ 16,620.00
Revised Total Fee: \$ 481,039.00

All remaining terms and conditions of the Master Agreement Contract dated May 1, 2013 as amended through Change Order 03 to the Master Agreement, and Task Order 08 dated 29 December 2015 remain in full force and effect.

**DESCANSO COMMUNITY WATER DISTRICT
AUTHORIZATION:**

BY: _____

PRINT NAME & TITLE: _____

NV5, INC. AUTHORIZATION:

BY: _____

PRINT NAME & TITLE: JEFFREY COOPER
SR. VICE PRESIDENT

EXHIBIT A

Descanso Community Water District Descanso, San Diego County, CA Iron and Manganese Facility and Pipelines - Final Design Scope of Services Task Order 08 Contract Amendment 06

Assumptions and Understanding

The Descanso Community Water District (DCWD) has completed two portions of its capital improvements plan which have funding from the United States Department of Agriculture, Rural Development (USDA): Viejas Grade Pipeline and Viejas Boulevard Pipeline. Two components remain outstanding: well drilling and destruction, and the construction of a treatment facility for the removal of Iron and Manganese. In late 2023, DCWD solicited bids for the drilling of a well to replace the existing Well No. 6 and for the destruction of Well No. 6. DCWD received two bids. DCWD issued a Notice of Award in December 2023 for the Well Drilling and Destruction Project.

In late 2023, DCWD solicited bids for the construction of the water treatment facility. DCWD did not receive any bids. Therefore, DCWD desires to solicit bids for the treatment facility anew, advertising the project's call for bids in late March or April 2024.

In summer/fall 2023, NV5 augmented the treatment facility design to include compliance with Title 24, Chapter 5 requirements for non-residential indoor lighting controls that were not in effect at the time of execution of the original task order, and were significantly less stringent than current standards. These design efforts were included in the design documents for the 2023 construction bid solicitation noted above.

This scope of services authorizes bidding solicitation support for the treatment facility construction, for a new solicitation in spring 2024, and authorizes additional compensation for electrical design augmentation for services rendered in 2023.

Task 3 – Design Documents – Scope and Compensation Modification

NV5 updated the electrical design documents in 2023 to comply with recently enacted Title 24 provisions pertaining to indoor lighting. No additional design efforts are requested of NV5 for this task. NV5's compensation is adjusted as noted below.

Task 9D – Bidding Assistance – Well No. 7 Drilling

One construction contract is anticipated to be advertised and bid for the treatment facility project. NV5 will modify the bidding documents for a second solicitation for construction bids for the treatment facility. DCWD anticipates advertising for construction bids in late March or April 2024. NV5 will attend and coordinate the prebid conference and job walk for prospective bidders. NV5 anticipates this event will take place in the Descanso area during normal business hours (Monday through Friday 8am to 4pm) at a date to be determined.

14 March 2024

Page 1 of 2

Contract Amendment 06 – Scope of Services

Iron and Manganese Facility, Viejas Boulevard Pipeline, and Viejas Grade Pipeline – Final Design Services

55

NV5 will maintain the planholders list and will lead efforts to distribute bidding documents to parties that express interest. Bidding documents are anticipated to be distributed via email in .pdf format.

Following the prebid conference and job walk, NV5 will issue responses to contractor questions and issue addenda for the project. NV5 will provide these responses to planholders. NV5 anticipates issuing addenda and question responses via electronic means (email of .pdf files). NV5 will attending the bid opening and one DCWD Board meeting in this scope of services.

Advertising costs shall be borne directly by DCWD. DCWD will be responsible for allowing access to the project site during the pre-bid meeting, and coordinating the bid opening at a public location in the Descanso area (e.g. Descanso Town Hall).

NV5 will provide services previously authorized under Contract Amendment 05, but not undertaken due to a lack of bids. This includes, following the bid opening, preparing a bid tabulation to compare unit and total pricing from received bids. NV5 will draft PWC-100 Form for the DCWD to upload to the Department of Industrial Relations’ webportal.

Fee

The additional task order time and materials fee to complete the above scope of services is \$16,620, based on the modified Charge Rate Schedule presented in Change Order 03 dated 27 July 2022 to the Master Services Agreement between DCWD and NV5, Inc.

Task	Additional Fee
Task 3 – Design Documents (Additional Compensation)	\$6,800
Task 9D – Bidding Assistance – Well No. 7 Drilling	\$9,820
Total Fee	\$16,620

* * * * *

Item 11

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

Notes:
