

## M E M O

**TO:** District Manager

**FROM:** Finance Manager

**SUBJECT: REVISION OF DESIGNATED UNRESTRICTED NET  
ASSETS FOR FISCAL YEAR 2006/2007**

**DATE:** December 27, 2007

Please note that in the agenda packet for the last Board of Director's Meeting (December 20, 2007) there was a recommendation for approval of a Revision to the Designated Unrestricted Net Assets for Fiscal Year 2006/2007. A question was posed at the Board meeting as to why the revised amount for vacation and sick leave was changed to \$0 from the previous \$270,000. I had the auditor review the recommendation to be sure that he agreed with the wording and the dollar amounts before submitting to the Board for approval. He has some wording recommendations that were implemented and also said that we should not reflect the vacation/sick leave as a designated unrestricted net asset since we already have it listed on the books as a liability. He had me change this to \$0.

I apologize about the confusion. Please let me know if you have any other questions.

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Karen Alvarez  
Finance Manager

## M E M O

**TO:** District Manager

**FROM:** Finance Manager

**SUBJECT: REVISION OF DESIGNATED UNRESTRICTED NET  
ASSETS FOR FISCAL YEAR 2006/2007**

**DATE:** December 20, 2007

### **RECOMMENDATION:**

It is recommended that the Board of Directors review this memo and approve the attached resolution revising the Designated Unrestricted Net Assets for Fiscal Year 2006/2007. Further, it is recommended that District Staff along with the Finance Committee review the Designated Unrestricted Net Assets on an annual basis at the end of each Fiscal Year.

### **BACKGROUND:**

The accounting firm of Charles Z. Fedak & Company is currently conducting an independent audit of the district's Financial Statement for Fiscal Year 2006/2007. On

November 15, 2007 the San Lorenzo Valley Water District held a meeting of the Finance Committee to discuss the draft Fiscal Year 2006/2007 Financial Statement. It was discussed that the Designated Unrestricted Net Assets in the Financial Statement should be changed to reflect actual year end amounts. Said revisions will be reflected in the notes to the Financial Statements being completed by the auditor, Charles Z. Fedak & Company for Fiscal Year 2006/2007.

As part of the closing of the accounting records for fiscal year 2006/2007, the Finance Manager will prepare closing journal entries which will cause a change to certain Designated Unrestricted Net Assets. Journal entries will be made to reflect the amounts in the accounting records under Designated Unrestricted Net Assets and said amounts will be reflected accordingly in the notes to the Financial Statements prepared by the District's auditor.

DESIGNATED UNRESTRICTED NET ASSETS  
For Fiscal Year ended June 30, 2007

<b>Designated for:</b>	<b>Prior to change</b>	<b>Revised</b>
Emergency Reserve (Water Surcharge)	\$880,000	\$937,940
Vacation and Sick Leave	270,000	0
Capital Project Reserve (COP projects)	815,200	435,497
Equipment Replacement Reserve	135,000	208,621
Capital Improvement Project	2,500,000	2,500,000
Total	<b>\$4,600,200</b>	<b>\$4,082,058</b>

**RECOMMENDATION:**

It is recommended that the Board of Directors accept the revisions to the Designated Unrestricted Net Assets for Fiscal Year 2006/2007. A resolution is attached.

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Karen Alvarez  
Finance Manager