

FILE COPY

SAN LORENZO VALLEY WATER DISTRICT

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FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

* * *

June 30, 2000 and 1999

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September 1, 2000

INDEPENDENT AUDITOR'S REPORT

Board of Directors
San Lorenzo Valley Water District
Boulder Creek, California

We have audited the accompanying general-purpose financial statements of San Lorenzo Valley Water District as of June 30, 2000 and 1999 as listed in the table of contents. The financial statements are the responsibility of San Lorenzo Valley Water District's management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As more fully described in Note 2 to the financial statements, the audit did not include tests of the historical costs of property and equipment acquired prior to July 1, 1986 because complete records are not available. Accordingly, we do not express an opinion as to the fairness of presentation of property and equipment, accumulated depreciation and equity in plant and equipment.

In our opinion, except for fixed assets, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of San Lorenzo Valley Water District as of June 30, 2000 and 1999, and results of its operations and cash flows in conformity with generally accepted accounting principles.



Board of Directors
San Lorenzo Valley Water District
September 1, 2000
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Our report was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information presented on pages 16 - 20 is presented for purposes of supplementary information and is not a required part of the basic financial statements. Such information for the year ended June 30, 2000 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BERGER/LEWIS ACCOUNTANCY CORPORATION

By: 
Robert W. Smiley, C.P.A.

SAN LORENZO VALLEY WATER DISTRICT

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SAN LORENZO VALLEY WATER DISTRICT

COMBINED BALANCE SHEETS - ALL PROPRIETARY FUNDS

June 30, 2000 and 1999

ASSETS		
	2000	1999
CURRENT ASSETS:		
Cash and Investments (Note 6)	\$ 2,091,807	\$ 1,594,924
Receivables:		
Customer Accounts - Net of Allowance for Uncollectibles of \$3,337 and \$3,301	248,865	200,888
Assessments and Miscellaneous Taxes		26,417
Interest Receivable	76,044	58,186
Due from Other Funds (Note 7)	151,206	47,388
Other Receivables	24,279	4,965
Inventory (Note 2)	114,604	121,310
Prepaid Expenses and Deferred Charges	305	1,097
Deposits	2,940	2,366
Total Current Assets	2,710,050	2,057,541
 RESTRICTED CASH AND INVESTMENTS (Note 6):		
Proceeds Improvement Refunding Bonds		1,327,969
Proceeds Certificates of Participation	2,503,475	2,518,738
Cash and Investments with Fiscal Agent	58,019	59,641
Connection and Construction Deposits Investment (Note 9)	208,515	154,523
Customer Deposits (Note 8)	246,797	234,228
Reserve Fund - Certificates of Participation	239,125	239,861
North Boulder Creek Assessments	49,217	32,282
Reserve Fund - Improvement Refunding Bonds	128,654	39,248
Total Restricted Cash and Investments	3,433,802	4,606,490
 PROPERTY, PLANT AND EQUIPMENT (Note 3):		
Land	927,275	927,275
Utility Plant	19,284,621	18,787,171
Buildings, Equipment and Other Assets	2,175,672	1,916,975
Total Property, Plant and Equipment	22,387,568	21,631,421
Less - Accumulated Depreciation	(7,200,611)	(6,549,359)
	15,186,957	15,082,062
Construction in Progress	533,721	575,881
Total Property, Plant and Equipment	15,720,678	15,657,943
 OTHER ASSETS:		
Deferred Charges	393,012	583,605
TOTAL ASSETS	\$ 22,257,542	\$ 22,905,579

See Independent Auditor's Report and Accompanying Notes to Financial Statements

LIABILITIES AND NET ASSETS

	2000	1999
CURRENT LIABILITIES:		
Accounts Payable	\$ 118,246	\$ 167,113
Due to Other Funds (Note 7)	151,206	47,388
Accrued Expenses	1,762	1,834
Accrued Interest	71,620	34,401
Current Portion of Long-Term Debt (Note 4)	322,454	221,340
Connection and Construction Deposits (Note 9)	208,515	154,523
Customer Deposits (Note 8)	246,797	234,228
Accrued Vacation and Sick Leave	248,686	240,958
Total Current Liabilities	1,369,286	1,101,785
 LONG-TERM LIABILITIES - NET OF CURRENT PORTION		
(Note 4):		
Special Assessment Bonds	1,199,000	2,451,361
California Special District Lease Financing	230,000	240,000
Notes Payable	4,273,590	4,459,913
Certificates of Participation	2,765,000	2,850,000
Less Current Portion	(322,454)	(221,340)
Total Long-Term Liabilities	8,145,136	9,779,934
Total Liabilities	9,514,422	10,881,719
 FUND EQUITY:		
Contributed Fixed Assets:		
Utility Plant	350,474	350,474
Storm Improvements	896,504	896,504
Earthquake Improvements	1,324,811	1,324,811
Total Contributed Fixed Assets	2,571,789	2,571,789
Retained Earnings:		
Reserved for Restricted Assets	756,156	756,156
Reserved for Debt Service	288,385	288,385
Reserved for Maintenance	32,646	32,646
Unreserved:		
Designated (Note 10)	4,908,898	4,908,898
Undesignated	4,185,246	3,465,986
Total Retained Earnings	10,171,331	9,452,071
Total Fund Equity	12,743,120	12,023,860
TOTAL LIABILITIES AND FUND EQUITY	\$ 22,257,542	\$ 22,905,579

SAN LORENZO VALLEY WATER DISTRICT

COMBINED STATEMENTS OF CASH FLOWS - ALL PROPRIETARY FUNDS

For the Years Ended June 30, 2000 and 1999

	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating Income	\$ 711,729	\$ 551,216
Adjustments to Reconcile Operating Income to Net Cash		
Provided by Operating Activities:		
Provision for Depreciation	716,838	677,165
(Increase) Decrease in Receivables	(40,884)	62,640
(Increase) in Restricted Cash	(155,281)	(81,738)
(Increase) Decrease in Inventory	6,706	(2,314)
(Increase) Decrease in Other Assets and Deferred Charges	190,821	(400,826)
Increase (Decrease) in Accounts Payable	(48,867)	5,407
Increase in Other Liabilities	99,251	88,592
Gain/Loss on Disposition of Fixed Assets	20,800	1,658
Total Adjustments	789,384	350,584
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,501,113	901,800
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Refund Payment - North Boulder Creek Assessment District Bonds	(1,227,361)	
Proceeds From Certificates of Participation		2,850,000
Proceeds From Improvement Refunding Bonds		1,199,000
Acquisition of Capital Assets	(713,987)	(667,377)
Transfer Restricted Cash	1,327,969	
Payment of Principal	(446,489)	(273,753)
Payment of Interest	(435,601)	(358,379)
Increase in Restricted Cash - Financing		(3,922,364)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(1,495,469)	(1,172,873)
CASH FLOWS FROM NON-OPERATING ACTIVITIES:		
Interest on Investments	255,439	103,213
Proceeds Litigation Revenue		137,200
Receipt of Government Storm Funds	227,820	447,615
Proceeds Sale of Fixed Assets	7,980	
NET CASH PROVIDED BY INVESTING ACTIVITIES	491,239	688,028
NET INCREASE IN CASH	496,883	416,955
CASH AT BEGINNING OF YEAR	1,594,924	1,177,969
CASH AT END OF YEAR	\$ 2,091,807	\$ 1,594,924

See Independent Auditor's Report and Accompanying Notes to Financial Statements

SAN LORENZO VALLEY WATER DISTRICT

COMBINED STATEMENTS OF INCOME, EXPENSES AND CHANGES IN RETAINED EARNINGS -

ALL PROPRIETARY FUNDS

For the Years Ended June 30, 2000 and 1999

OPERATING INCOME:	<u>2000</u>	<u>1999</u>
Water Fees	\$ 2,710,567	\$ 2,509,762
Sewer Charges	43,280	21,964
Assessments	137,068	164,013
Property Taxes	275,765	250,754
Meter Sales	167,620	137,895
Charges and Penalties	34,810	34,155
Miscellaneous	11,389	12,860
Total Operating Income	<u>3,380,499</u>	<u>3,131,403</u>
OPERATING EXPENSES:		
Salaries and Benefits (Net of Capitalized)	1,251,338	1,244,257
Contractual and Professional Services	155,754	169,320
Amortization and Depreciation	716,838	677,165
Materials and Supplies	87,177	89,006
Utilities and Telephone	201,899	185,356
Insurance	49,915	50,351
Vehicle and Equipment Maintenance	52,267	44,173
Building Maintenance	26,477	19,061
Collection Fees and Charges	342	1,391
Miscellaneous	25,944	7,009
Travel, Meals and Conferences	8,793	7,218
Auto Allowance	7,800	7,800
Office Expenses	44,786	48,677
Rental and Permits	13,440	9,403
Reserve for Connection Refunds	26,000	20,000
Total Operating Expenses	<u>2,668,770</u>	<u>2,580,187</u>
NET OPERATING INCOME	<u>711,729</u>	<u>551,216</u>
NON-OPERATING INCOME (EXPENSES):		
Interest Earned	273,297	138,301
Loss on Disposition of Assets	(20,800)	(1,658)
Interest Expense	(472,786)	(327,645)
Government Storm Funds	227,820	447,615
Litigation Revenue		137,200
Total Non-Operating Income (Expenses)	<u>7,531</u>	<u>393,813</u>
NET INCOME	719,260	945,029
RETAINED EARNINGS AT BEGINNING OF YEAR	<u>9,452,071</u>	<u>8,507,042</u>
RETAINED EARNINGS AT END OF YEAR	<u>\$ 10,171,331</u>	<u>\$ 9,452,071</u>

See Independent Auditor's Report and Accompanying Notes to Financial Statements

SAN LORENZO VALLEY WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2000 and 1999

1. ORGANIZATION:

The San Lorenzo Valley Water District was established April 3, 1941, pursuant to Chapter 592, Status of 1913, since codified into Section 30,000 et seq. of the California Water Code. The District contains approximately 58 square miles. It was created to develop a water supply for domestic requirements as well as for fire protection and recreational facilities in the San Lorenzo Valley (except the Felton area). Since 1969, the District has owned and operated some facilities in Bear Creek Estates. At June 30, 2000, the District owned approximately 3,250 acres of land and was servicing approximately 5,700 customers.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Fund Accounting

Since the activities of the District are, at this time, totally dedicated to providing services to the general public on a continuing basis, and its costs are to be financed or recovered primarily through user charges, its accounting records are required to be on a proprietary fund type basis. In conformance with generally accepted accounting principles (GAAP), the appropriate fund type and category is defined as follows:

Proprietary Funds

Enterprise Funds - Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriated for capital maintenance, public policy, management control, accountability or other purposes.

Fixed Assets

The accounting and reporting treatment applied to the fixed assets associated with a fund are determined by its measurement focus. All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity, are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

All fixed assets are valued at historical cost or estimated historical cost, if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

SAN LORENZO VALLEY WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS
(Continued)

June 30, 2000 and 1999

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Fixed Assets (Continued):

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations, and the accumulated depreciation is reported on the balance sheets. Depreciation has been provided, using the straight-line method over the estimated useful lives, as follows:

Buildings	30-40 years
Improvements	20-30 years
Reservoirs and Tanks	50 years
Mains	40 years
Wells	30 years
Equipment	5-20 years

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of what measurement focus may be applied.

All proprietary funds are accounted for using the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. Unbilled water and sewer fund utility service receivables are recorded at year end.

Investments

Investments are stated at cost, which approximates market.

Inventory

Inventory is valued at the lower of cost (first-in, first-out) or market. Inventory consists of expendable supplies held for consumption.

Accumulated Vacation and Sick Leave

Accumulated vacation and sick leave is accrued when incurred to recognize the employees' rights to receive compensation for future absences. This amount is computed using current employee accumulated vacation hours and one-half accumulated sick leave hours at current pay rates.

Comparative Data

Comparative total data for the prior year have been present in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations.

SAN LORENZO VALLEY WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS
(Continued)

June 30, 2000 and 1999

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Interfund Transactions

The District's interfund transactions during the year relate directly to services rendered or facilities provided. These are recorded as an expense in the receiving fund with a corresponding liability for the amount due to the disbursing fund.

Unrealized Gains and Losses

Governmental Accounting Standards Board (GASB) has established GASB-31 which requires public agencies to report the financial effect of all unrealized gains and losses on invested funds. As of June 30, 2000 and 1999, the unrealized gains for San Lorenzo Valley Water District were immaterial to the financial statements taken as a whole, and accordingly have not been reflected in the financial statements.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

3. CHANGES IN PROPERTY, PLANT AND EQUIPMENT:

A summary of the changes, by fund, in the fixed asset and depreciation accounts during the fiscal year ended June 30 is as follows:

	2000			
	Water Fund	Sewer Fund	Construction in Progress	Total
Balance, June 30, 1999	\$ 20,389,945	\$ 1,241,476	\$ 575,881	\$ 22,207,302
Additions and Transfers-In	829,785			829,785
Deletions and Transfers-Out	(73,638)		(42,160)	(115,798)
Balance, June 30, 2000	21,146,092	1,241,476	533,721	22,921,289
Accumulated Depreciation	(6,812,189)	(388,422)		(7,200,611)
Net Property, Plant and Equipment	<u>\$ 14,333,903</u>	<u>\$ 853,054</u>	<u>\$ 533,721</u>	<u>\$ 15,720,678</u>
	1999			
	Water Fund	Sewer Fund	Construction in Progress	Total
Balance, June 30, 1998	\$ 20,217,952	\$ 1,235,784	\$ 173,811	\$ 21,627,547
Additions and Transfers-In	259,615	5,692	402,070	667,377
Deletions and Transfers-Out	(87,622)			(87,622)
Balance, June 30, 1999	20,389,945	1,241,476	575,881	22,207,302
Accumulated Depreciation	(6,191,059)	(358,300)		(6,549,359)
Net Property, Plant and Equipment	<u>\$ 14,198,886</u>	<u>\$ 883,176</u>	<u>\$ 575,881</u>	<u>\$ 15,657,943</u>

SAN LORENZO VALLEY WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS
(Continued)

June 30, 2000 and 1999

4. LONG-TERM DEBT:

At June 30 long-term debt consisted of:

	<u>2000</u>	<u>1999</u>
Special Assessment Bonds within the District's water system. Bonds are issued under the State of California's 1915 Bond Act/Refunding Act of 1984, which are payable by the County Tax Collector through assessments on the property tax rolls:		
Bear Creek Estates Area Sanitary Sewerage		\$ 25,000
North Boulder Creek Assessment District		1,227,361
1999 Limited Obligation Improvement Refunding Bonds - The purpose of which is to refund and Redeem the North Boulder Creek Assessment District bonds	<u>\$1,199,000</u>	<u>1,199,000</u>
Total Special Assessment Bonds	<u>1,199,000</u>	<u>2,451,361</u>
California Special District Lease		
Financing bearing interest at 5.25 percent per annum with a maturity at March 1, 2012	<u>230,000</u>	<u>240,000</u>
Notes Payable:		
California Safe Drinking Water Loan bearing interest at 3.524 percent per annum with a maturity at October 1, 2020	3,242,379	3,348,745
State Resources loan bearing interest at 3.4 percent per annum with a maturity at April 4, 2003	205,926	269,981
California Safe Drinking Refunding loan bearing interest at 7.125 percent per annum with a maturity at June 1, 2022	<u>825,285</u>	<u>841,187</u>
Total Notes Payable	<u>4,273,590</u>	<u>4,459,913</u>
Certificates of Participation Water System Improvement Project 1998 - Special obligation of the District payable solely from tax revenues and if and to extent necessary net revenues	<u>2,765,000</u>	<u>2,850,000</u>
Total Certificates of Participation Payable	<u>2,765,000</u>	<u>2,850,000</u>
Total Debt	8,467,590	10,001,274
Less: Current Portion	<u>322,454</u>	<u>221,340</u>
Total Long-Term Debt	<u>\$8,145,136</u>	<u>\$ 9,779,934</u>

SAN LORENZO VALLEY WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS
(Continued)

June 30, 2000 and 1999

4. LONG-TERM DEBT (Continued):

The future scheduled maturities of long-term debt are as follows:

June 30, 2001	\$ 322,454
June 30, 2002	369,517
June 30, 2003	378,966
June 30, 2004	323,381
June 30, 2005	339,257
Thereafter	<u>6,734,015</u>
	<u>\$8,467,590</u>

5. EMPLOYEE BENEFITS:

Employees Retirement Plan (Defined Benefit Pension Plan)

Plan Description - The San Lorenzo Valley Water District's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The San Lorenzo Valley Water District's defined benefit pension plan is part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), and agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements are established by State statutes within the Public Employees' Retirement Law. The San Lorenzo Valley Water District selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office - 400 P Street - Sacramento, CA 95814.

Funding Policy - Active plan members in the San Lorenzo Valley Water District defined pension plan are required to contribute 3.5% of their annual covered salary. The San Lorenzo Valley Water District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal 1999/2000 was 0.00%. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

SAN LORENZO VALLEY WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS
(Continued)

June 30, 2000 and 1999

5. EMPLOYEE BENEFITS (Continued):

Employees Retirement Plan (Defined Benefit Pension Plan) (Continued)

Annual Pension Cost - For fiscal year 1999/2000, the San Lorenzo Valley Water District defined benefit pension plan's annual pension cost was \$0.00 and the San Lorenzo Valley Water District actually contributed \$0.00. The required contribution for fiscal year 1999/2000 was determined as part of the June 30, 1999 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 8.25% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.75% to 14.20%, and (c) 3.75% cost-of-living adjustment. Both (a) and (b) included an inflation component of 3.5%. The actuarial value of San Lorenzo Valley Water District's defined benefit pension plan's assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a two to five year period depending on the size of investment gains and/or losses. San Lorenzo Valley Water District's defined benefit pension plan's unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 1998 was 2 years.

Three-Year Trend Information for San Lorenzo Valley Water District's Defined Benefit Pension Plan:

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/97	-0-	100%	N/A
6/30/98	-0-	100%	N/A
6/30/99	-0-	100%	N/A

Required Supplementary Information Funded Status of Plan:

The table below displays a short history of the Entry Age Normal Accrued Liability, the Actuarial Value of Assets, the Unfunded Liability of (Excess Assets), Funded Status (i.e., the ratio of the Actuarial Value of Assets to Entry Age Normal Accrued Liability), the estimated annual covered payroll and the Unfunded Actuarial Accrued Liability (UAAL) as a percentage of that covered payroll. For those plans include 1st or 2nd level 1959 Survivor Benefit, the liabilities and assets below include the assets and liabilities for current beneficiaries of your 1959 Survivors Benefit program. For all other plans, the assets and liabilities below are without regard to the 1959 Survivor Benefit programs.

<u>Valuation Date</u>	Funded Status of the Plan					
	<u>Entry Age Normal Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded Liability/ (Excess Assets)</u>	<u>Funded Status</u>	<u>Annual Covered Payroll</u>	<u>UAAL As a % of Payroll</u>
6/30/97	\$2,022,822	\$3,096,923	\$(1,074,101)	153.1%	\$1,016,571	(105.659%)
6/30/98	2,262,487	3,744,764	(1,482,277)	165.5%	998,057	(148.516%)
6/30/99	2,784,545	4,466,431	(1,681,886)	160.4%	984,309	(170.870%)

SAN LORENZO VALLEY WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS
(Continued)

June 30, 2000 and 1999

6. CASH AND INVESTMENTS/CREDIT RISK:

Cash on deposit as of June 30, 2000 and 1999 was confirmed by the depositories and reconciled to the balances reflected on the books.

These funds were on deposit in the following depositories:

	<u>2000</u>	<u>1999</u>
Petty Cash	\$ 200	\$ 200
Wells Fargo Bank - Checking	7,859	15,314
Liberty Bank - Checking	2,223	4,612
Liberty Bank - Savings	83,879	92,991
Cash in County Treasury	40,392	75,935
Cash with Fiscal Agent	17,628	19,249
Funds Invested - Local Agency Investment Fund (LAIF)	5,373,428	4,665,144
Funds Invested - US Treasury Bill	<u>0</u>	<u>1,327,969</u>
 Total	 5,525,609	 6,201,414
 Less Restricted Cash and Investments	 <u>3,433,802</u>	 <u>4,606,490</u>
 Current Portion	 <u>\$2,091,807</u>	 <u>\$1,594,924</u>

The District's deposits at banks at year-end were entirely covered by federal deposit insurance or by collateral held by the District's custodial bank in the District's name.

The District's investments at year-end are shown below:

	<u>June 30, 2000</u>		<u>June 30, 1999</u>	
	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Investment in State Investment Fund (LAIF)	\$5,373,428	\$5,373,428	\$4,665,144	\$4,665,144
Investment - US Treasury Bill	<u> </u>	<u> </u>	<u>1,327,969</u>	<u>1,327,969</u>
 Total	 <u>\$5,373,428</u>	 <u>\$5,373,428</u>	 <u>\$5,993,113</u>	 <u>\$5,993,113</u>

The investment in State Investment Fund (LAIF) is not insured.

SAN LORENZO VALLEY WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS
(Continued)

June 30, 2000 and 1999

7. INTERFUND RECEIVABLES AND PAYABLES:

At June 30, 2000 the Sewer Fund was indebted to the Water Fund in the amount of \$59,434.

At June 30, 1999 the Sewer Fund was indebted to the Water Fund in the amount of \$47,388.

8. CUSTOMER DEPOSITS:

In March, 1980, the District implemented a new policy with respect to customer deposits. As of July 1, 1980, all deposits are to be held until the account is closed out. Additionally, all accounts bear interest at the annual rate of 5.5%, up to the date of close out. The deposits plus interest earned are credited against final billings, and any credit balance refunded. The deposit monies are invested, and the total of invested deposits and accrued interest earned is shown in the restricted cash section of the financial statements.

9. CONNECTION DEPOSITS:

District Ordinance No. 48, adopted December 5, 1983, provides for the handling of water service connection charge deposits. Upon proper documentation, such deposits can be refunded if water meters are not set. The deposits are accounted for separately to fulfill this obligation.

10. RETAINED EARNINGS - DESIGNATED:

An analysis of designated retained earnings at June 30 consists of the following:

	<u>2000</u>	<u>1999</u>
Designated for:		
Emergency Reserve	\$ 733,898	\$ 733,898
Vacation and Sick Leave	125,000	125,000
Capital Project Reserve	2,100,000	2,100,000
Wastewater Reserve	850,000	850,000
Vehicle Reserve	100,000	100,000
Capital Improvement Project	<u>1,000,000</u>	<u>1,000,000</u>
Total	<u>\$4,908,898</u>	<u>\$4,908,898</u>

11. CASH AND CASH EQUIVALENTS:

For the purpose of the Statement of Cash Flows the District considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

SAN LORENZO VALLEY WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS
(Continued)

June 30, 2000 and 1999

12. JOINT POWERS AUTHORITY:

The San Lorenzo Valley Water District participates in a joint powers authority, the Special District Risk Management Authority (the Authority). The Authority was formed to provide member districts with general liability, automotive liability and property damage, and errors and omissions risk financing coverage.

The San Lorenzo Valley Water District participates in the liability and property program. The District has an auto and general liability self-insured retention level of \$1,500 and a \$2,000 property program deductible. A self-retention is similar to a deductible.

The Authority is governed by a board which controls the operations of the Authority independent of any influence by the San Lorenzo Valley Water District. The Authority is independently accountable for its fiscal matters. The insurance group maintains its own accounting records. The relationship between the District and the Authority is such that the Authority is not a component unit of the San Lorenzo Valley Water District for financial reporting purposes.

13. WATERMAN GAP TRANSACTION:

On September 21, 2000, the Board of Directors of the San Lorenzo Valley Water District unanimously approved District Ordinance 98 (00-01) which authorized the sale of approximately 1,340 acres of unimproved forestland generally known as Waterman Gap (Santa Cruz County Assessor's Parcel Nos. 87-0311-03, 04, 05, 06, 87-041-01 and 88-091-18) to Sempervirens Fund, Inc., a non-profit organization for the sum of Ten Million Nine Hundred Thousand Dollars (\$10,900,000). Covenants to the real estate purchase contract assigned from Sempervirens Fund, Inc. to San Lorenzo Valley Water District the exclusive right to purchase two (2) additional real properties APN 79-011-02 and -22 (generally known as Cook and Hulse properties). On October 30, 2000, the San Lorenzo Valley Water District purchased APN 79-011-02, a parcel of approximately 40 acres from Cook, for the sum of Ninety Five Thousand Dollars (\$95,000) and APN 79-011-22 a parcel of approximately 100 acres from Hulse, for a sum of Four Hundred Fifty Thousand Dollars (\$450,000).

SUPPLEMENTARY INFORMATION

SAN LORENZO VALLEY WATER DISTRICT

COMBINING BALANCE SHEET - WATER AND SEWER FUNDS

June 30, 2000

ASSETS

CURRENT ASSETS:	Enterprise Funds		Total
	Water Fund	Sewer Fund	
Cash & Investments:			
On Hand and On Deposit	\$ 58,528	\$ 35,543	\$ 94,071
Investments	1,997,736		1,997,736
Receivables:			
Customer Accounts (Net of Allowance for Uncollectibles of \$3,337)	248,865		248,865
Interest Receivable	76,044		76,044
Other Receivables	24,279		24,279
Due From Other Funds	105,320	45,886	151,206
Inventory	114,604		114,604
Prepaid Expenses	305		305
Deposits	2,940		2,940
Total Current Assets	<u>2,628,621</u>	<u>81,429</u>	<u>2,710,050</u>
RESTRICTED CASH:			
Proceeds Certificates of Participation	2,503,475		2,503,475
Cash and Investments with Fiscal Agent	58,019		58,019
Connection and Construction Deposits	208,515		208,515
Customer Deposits	246,797		246,797
Reserve Fund - Certificates of Participation	239,125		239,125
North Boulder Creek Assessments	49,217		49,217
Reserve Fund - Improvement Refunding Bonds	128,654		128,654
Total Restricted Cash	<u>3,433,802</u>		<u>3,433,802</u>
PROPERTY, PLANT AND EQUIPMENT:			
Land	899,062	28,213	927,275
Utility Plant	18,075,500	1,209,121	19,284,621
Building, Equipment, and Other Assets	2,171,530	4,142	2,175,672
Total Property, Plant and Equipment	<u>21,146,092</u>	<u>1,241,476</u>	<u>22,387,568</u>
Less: Accumulated Depreciation	(6,812,189)	(388,422)	(7,200,611)
	<u>14,333,903</u>	<u>853,054</u>	<u>15,186,957</u>
Construction in Progress	533,721		533,721
Total Property, Plant and Equipment (Net)	<u>14,867,624</u>	<u>853,054</u>	<u>15,720,678</u>
OTHER ASSETS:			
Deferred Charges	<u>393,012</u>		<u>393,012</u>
TOTAL ASSETS	<u>\$ 21,323,059</u>	<u>\$ 934,483</u>	<u>\$ 22,257,542</u>

See Independent Auditor's Report on Supplementary Information

LIABILITIES AND FUND EQUITY

CURRENT LIABILITIES:	Enterprise Funds		Total
	Water Fund	Sewer Fund	
Accounts Payable	\$ 118,224	\$ 22	\$ 118,246
Due to Other Funds	45,886	105,320	151,206
Accrued Expenses	1,242	520	1,762
Accrued Interest	71,620		71,620
Current Portion of Long-Term Debt	322,454		322,454
Connection and Construction Deposits	208,515		208,515
Customer Deposits	246,797		246,797
Accrued Vacation and Sick Leave	246,253	2,433	248,686
Total Current Liabilities	1,260,991	108,295	1,369,286
Long-Term Liabilities (Net of Current Portion):			
Special Assessment Bonds	1,199,000		1,199,000
California Special District Lease Financing	230,000		230,000
Notes Payable	4,273,590		4,273,590
Certificates of Participation	2,765,000		2,765,000
Less Current Portion	(322,454)		(322,454)
Total Long-Term Liabilities	8,145,136	-0-	8,145,136
Total Liabilities	9,406,127	108,295	9,514,422
FUND EQUITY:			
Contributed Fixed Assets:			
Utility Plant	249,073	101,401	350,474
Storm Improvements	896,504		896,504
Earthquake Improvements	1,324,811		1,324,811
Total Contributed Fixed Assets	2,470,388	101,401	2,571,789
Retained Earnings:			
Reserved for Restricted Assets	756,156		756,156
Reserved for Debt Service	288,385		288,385
Reserved for Maintenance		32,646	32,646
Unreserved:			
Designated	4,908,898		4,908,898
Undesignated	3,493,105	692,141	4,185,246
Total Retained Earnings	9,446,544	724,787	10,171,331
Total Fund Equity	11,916,932	826,188	12,743,120
TOTAL LIABILITIES AND FUND EQUITY	\$ 21,323,059	\$ 934,483	\$ 22,257,542

See Independent Auditor's Report on Supplementary Information

SAN LORENZO VALLEY WATER DISTRICT

COMBINING STATEMENT OF INCOME, EXPENSES
CHANGES IN RETAINED EARNINGS - WATER AND SEWER FUNDS

For the Year Ended June 30, 2000

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
OPERATING INCOME:			
Water Fees	\$ 2,710,567		\$ 2,710,567
Sewer Charges		\$ 43,280	43,280
Assessments	137,068		137,068
Property Taxes	275,765		275,765
Meter Sales	167,620		167,620
Charges and Penalties	34,810		34,810
Miscellaneous	11,389		11,389
Total Operating Income	<u>3,337,219</u>	<u>43,280</u>	<u>3,380,499</u>
OPERATING EXPENSES:			
Salaries and Benefits	1,241,227	10,111	1,251,338
Contractual and Professional Services	148,789	6,965	155,754
Amortization and Depreciation	686,716	30,122	716,838
Material and Supplies	85,125	2,052	87,177
Utilities and Telephone	197,082	4,817	201,899
Insurance	49,682	233	49,915
Vehicle and Equipment Maintenance	51,333	934	52,267
Building Maintenance	25,839	638	26,477
Collection Fees and Bad Debts	342		342
Miscellaneous	25,944		25,944
Travel, Meals and Conferences	8,793		8,793
Auto Allowance	7,800		7,800
Office Expenses	44,384	402	44,786
Rentals and Permits	12,218	1,222	13,440
Refunds of Connection Charges	26,000		26,000
Total Operating Expenses	<u>2,611,274</u>	<u>57,496</u>	<u>2,668,770</u>
OPERATING INCOME (LOSS)	<u>725,945</u>	<u>(14,216)</u>	<u>711,729</u>
NON-OPERATING INCOME (EXPENSES):			
Interest Earned	273,297		273,297
Loss on Disposition of Assets	(20,800)		(20,800)
Interest Expense	(468,533)	(4,253)	(472,786)
Government Storm Funds	227,820		227,820
Total Non-Operating Income (Expenses)	<u>11,784</u>	<u>(4,253)</u>	<u>7,531</u>
NET INCOME (LOSS)	<u>737,729</u>	<u>(18,469)</u>	<u>719,260</u>
RETAINED EARNINGS AT BEGINNING OF YEAR			
	<u>8,708,815</u>	<u>743,256</u>	<u>9,452,071</u>
RETAINED EARNINGS AT END OF YEAR	<u>\$ 9,446,544</u>	<u>\$ 724,787</u>	<u>\$ 10,171,331</u>

See Independent Auditor's Report on Supplementary Information

SAN LORENZO VALLEY WATER DISTRICT

COMBINING STATEMENT OF CASH FLOWS - WATER AND SEWER FUNDS

June 30, 2000

	Water Fund	Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating Income (Loss)	\$ 725,945	\$ (14,216)	\$ 711,729
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Provision for Amortization and Depreciation	686,716	30,122	716,838
(Increase) Decrease in Receivables	(41,936)	1,052	(40,884)
(Increase) in Restricted Cash	(155,281)		(155,281)
Decrease in Inventory	6,706		6,706
(Increase) Decrease in Other Assets & Deferred Charges	190,821		190,821
Increase (Decrease) in Accounts Payable	(48,889)	22	(48,867)
Increase in Other Liabilities	98,990	261	99,251
Gain/Loss on Disposition of Fixed Assets	20,800		20,800
Interfund Receivable/Payable	45,886	(45,886)	-0-
Interfund Receivable/Payable	(57,932)	57,932	-0-
Total Adjustments	<u>745,881</u>	<u>43,503</u>	<u>789,384</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,471,826</u>	<u>29,287</u>	<u>1,501,113</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Refund Payment - North Boulder Creek Assessment District Bonds	(1,227,361)		(1,227,361)
Use of Proceeds Improvement Refunding Bonds	1,327,969		1,327,969
Acquisition of Capital Assets	(713,987)		(713,987)
Scheduled Payments of Principal	(421,489)	(25,000)	(446,489)
Payment of Interest	(431,314)	(4,287)	(435,601)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(1,466,182)</u>	<u>(29,287)</u>	<u>(1,495,469)</u>
CASH FLOWS FROM NON-OPERATING ACTIVITIES:			
Proceeds Sale of Fixed Assets	7,980		7,980
Proceeds Government Storm Funds	227,820		227,820
Interest on Investments	255,439		255,439
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>491,239</u>		<u>491,239</u>
NET INCREASE IN CASH	496,883	-0-	496,883
CASH AT BEGINNING OF YEAR	<u>1,559,381</u>	<u>35,543</u>	<u>1,594,924</u>
CASH AT END OF YEAR	<u>\$ 2,056,264</u>	<u>\$ 35,543</u>	<u>\$ 2,091,807</u>

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