

FILE COPY

SAN LORENZO VALLEY WATER DISTRICT

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FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

* * *

June 30, 1999 and 1998

SAN LORENZO VALLEY WATER DISTRICT

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September 17, 1999

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, 1999 and 1998 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, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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, 1999 and 1998, and results of its operations and cash flows in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated September 17, 1999 on our consideration of San Lorenzo Valley Water District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.



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. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the general purpose financial statements. Such information for the year ended June 30, 1999 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

COMBINED BALANCE SHEETS - ALL PROPRIETARY FUNDS

June 30, 1999 and 1998

ASSETS		
CURRENT ASSETS:	1999	1998
Cash and Investments (Note 6)	\$ 1,594,924	\$ 1,177,969
Receivables:		
Customer Accounts - Net of Allowance for Uncollectibles of \$3,337 and \$3,301	200,888	178,091
Assessments and Miscellaneous Taxes	26,417	23,219
Interest Receivable	58,186	23,103
Federal and State Grants		93,600
Due from Other Funds (Note 7)	47,388	11,064
Other Receivables	4,965	
Inventory (Note 2)	121,310	118,996
Prepaid Expenses and Deferred Charges	1,097	699
Deposits	2,366	4,093
Total Current Assets	<u>2,057,541</u>	<u>1,630,834</u>
RESTRICTED CASH AND INVESTMENTS (Note 6):		
Proceeds Improvement Refunding Bonds	1,327,969	
Proceeds Certificates of Participation	2,518,738	
Cash and Investments with Fiscal Agent	59,641	61,222
Connection and Construction Deposits Investment (Note 9)	154,523	79,149
Customer Deposits (Note 8)	234,228	226,283
Reserve Fund - Certificates of Participation	239,861	
North Boulder Creek Assessments	32,282	235,734
Reserve Fund - Improvement Refunding Bonds	39,248	
Total Restricted Cash and Investments	<u>4,606,490</u>	<u>602,388</u>
PROPERTY, PLANT AND EQUIPMENT (Note 3):		
Land	927,275	927,275
Utility Plant	18,787,171	18,686,453
Buildings, Equipment and Other Assets	1,916,975	1,840,008
Total Property, Plant and Equipment	<u>21,631,421</u>	<u>21,453,736</u>
Less - Accumulated Depreciation	<u>(6,549,359)</u>	<u>(5,959,870)</u>
	15,082,062	15,493,866
Construction in Progress	575,881	173,811
Total Property, Plant and Equipment	<u>15,657,943</u>	<u>15,667,677</u>
OTHER ASSETS:		
Deferred Charges	<u>583,605</u>	<u>204,815</u>
TOTAL ASSETS	<u>\$ 22,905,579</u>	<u>\$ 18,105,714</u>

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

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:	1999	1998
Accounts Payable	\$ 167,113	\$ 161,706
Due to Other Funds (Note 7)	47,388	11,064
Accrued Expenses	1,834	1,288
Accrued Interest	34,401	65,135
Current Portion of Long-Term Debt (Note 4)	269,531	311,986
Connection and Construction Deposits (Note 9)	154,523	99,149
Customer Deposits (Note 8)	234,228	226,283
Improvement Costs Due to Customers		(4,727)
Total Current Liabilities	<u>909,018</u>	<u>871,884</u>
 LONG-TERM LIABILITIES - NET OF CURRENT PORTION (Note 4):		
Special Assessment Bonds	2,426,361	1,269,550
California Special District Lease Financing	230,000	240,000
Notes Payable	4,273,573	4,459,912
Certificates of Participation	2,850,000	
Accrued Vacation and Sick Leave	192,767	185,537
Total Long-Term Liabilities	<u>9,972,701</u>	<u>6,154,999</u>
Total Liabilities	<u>10,881,719</u>	<u>7,026,883</u>
 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	<u>2,571,789</u>	<u>2,571,789</u>
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	4,836,939
Undesignated	<u>3,465,986</u>	<u>2,592,916</u>
Total Retained Earnings	<u>9,452,071</u>	<u>8,507,042</u>
Total Fund Equity	<u>12,023,860</u>	<u>11,078,831</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 22,905,579</u>	<u>\$ 18,105,714</u>

SAN LORENZO VALLEY WATER DISTRICT

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

ALL PROPRIETARY FUNDS

For the Years Ended June 30, 1999 and 1998

OPERATING INCOME:	1999	1998
Water Fees	\$ 2,509,762	\$ 2,315,638
Sewer Charges	21,964	21,850
Assessments	164,013	218,637
Property Taxes	250,754	245,320
Meter Sales	137,895	77,438
Charges and Penalties	34,155	34,180
Miscellaneous	12,860	22,765
Total Operating Income	<u>3,131,403</u>	<u>2,935,828</u>
 OPERATING EXPENSES:		
Salaries and Benefits (Net of Capitalized)	1,244,257	1,199,867
Contractual and Professional Services	169,320	133,174
Amortization and Depreciation	677,165	670,893
Materials and Supplies	89,006	216,209
Utilities and Telephone	185,356	218,397
Insurance	50,351	58,505
Vehicle and Equipment Maintenance	44,173	32,192
Building Maintenance	19,061	20,440
Collection Fees and Charges	1,391	7,752
Miscellaneous	7,009	4,262
Travel, Meals and Conferences	7,218	5,706
Auto Allowance	7,800	7,800
Office Expenses	48,677	44,457
Rental and Permits	9,403	13,009
Reserve for Connection Refunds	20,000	20,000
Total Operating Expenses	<u>2,580,187</u>	<u>2,652,663</u>
 NET OPERATING INCOME	 <u>551,216</u>	 <u>283,165</u>
 NON-OPERATING INCOME (EXPENSES):		
Interest Earned	138,301	78,099
Loss on Disposition of Assets	(1,658)	(5,513)
Interest Expense	(327,645)	(303,908)
Government Storm Funds	447,615	36,688
Litigation Revenue	137,200	
Total Non-Operating Income (Expenses)	<u>393,813</u>	<u>(194,634)</u>
 NET INCOME	 945,029	 88,531
 RETAINED EARNINGS AT BEGINNING OF YEAR, As Restated	 <u>8,507,042</u>	 <u>8,418,511</u>
 RETAINED EARNINGS AT END OF YEAR	 <u>\$ 9,452,071</u>	 <u>\$ 8,507,042</u>

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

SAN LORENZO VALLEY WATER DISTRICT

COMBINED STATEMENTS OF CASH FLOWS - ALL PROPRIETARY FUNDS

For the Years Ended June 30, 1999 and 1998

	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating Income	\$ 551,216	\$ 283,165
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Provision for Depreciation	677,165	670,893
(Increase) Decrease in Receivables	62,640	(81,630)
(Increase) in Restricted Cash	(81,738)	(4,232)
(Increase) in Inventory	(2,314)	(22,593)
(Increase) in Other Assets and Deferred Charges	(400,826)	(165,321)
Increase in Accounts Payable	5,407	20,402
Increase in Other Liabilities	88,592	47,912
Gain/Loss on Disposition of Fixed Assets	1,658	(5,513)
Total Adjustments	350,584	459,918
NET CASH PROVIDED BY OPERATING ACTIVITIES	901,800	743,083
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds From Certificates of Participation	2,850,000	
Proceeds From Improvement Refunding Bonds	1,199,000	
Acquisition of Capital Assets	(667,377)	(638,978)
Proceeds from Long-Term Debt		175,000
Payment of Principal	(273,753)	(247,405)
Payment of Interest	(358,379)	
Increase in Restricted Cash - Financing	(3,922,364)	(307,675)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(1,172,873)	(1,019,058)
CASH FLOWS FROM NON-OPERATING ACTIVITIES:		
Interest on Investments	103,213	
Proceeds Litigation Revenue	137,200	78,099
Receipt of Government Storm Funds	447,615	36,688
NET CASH PROVIDED BY INVESTING ACTIVITIES	688,028	114,787
NET INCREASE (DECREASE) IN CASH	416,955	(161,188)
CASH AT BEGINNING OF YEAR	1,177,969	1,339,157
CASH AT END OF YEAR	\$ 1,594,924	\$ 1,177,969

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

SAN LORENZO VALLEY WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 1999 and 1998

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, 1999, 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, 1999 and 1998

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, 1999 and 1998

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, 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:

	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>

	1998			
	Water Fund	Sewer Fund	Construction in Progress	Total
Balance, June 30, 1997	\$ 19,406,589	\$ 1,235,784	\$ 460,717	\$ 21,103,090
Additions and Transfers-In	921,707		101,366	1,023,073
Deletions and Transfers-Out	(110,344)		(388,272)	(498,616)
Balance, June 30, 1998	20,217,952	1,235,784	173,811	21,627,547
Accumulated Depreciation	(5,631,692)	(328,178)		(5,959,870)
Net Property, Plant and Equipment	<u>\$ 14,586,260</u>	<u>\$ 907,606</u>	<u>\$ 173,811</u>	<u>\$ 15,667,677</u>

SAN LORENZO VALLEY WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS
(Continued)

June 30, 1999 and 1998

4. LONG-TERM DEBT:

At June 30 long-term debt consisted of:

	<u>1999</u>	<u>1998</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	\$ 45,000
North Boulder Creek Assessment District	1,227,361	1,284,550
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>	
Total Special Assessment Bonds	<u>2,451,361</u>	<u>1,329,550</u>
California Special District Lease		
Financing bearing interest at 5.25 percent per annum with a maturity at March 1, 2012	<u>240,000</u>	<u>250,000</u>
Notes Payable:		
United States Department of Commerce (EDA) bearing interest at 5 percent per annum with a maturity at July 1, 1998		16,096
California Safe Drinking Water Loan bearing interest at 3.524 percent per annum with a maturity at July 1, 2018	3,348,745	3,451,459
State Resources loan bearing interest at 3.4 percent per annum with a maturity at June 30, 2003	269,981	331,930
California Safe Drinking Refunding loan bearing interest at 7.125 percent per annum with a maturity at June 1, 2022	<u>841,187</u>	<u>856,030</u>
Total Notes Payable	<u>4,459,913</u>	<u>4,655,515</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>2,850,000</u>	
Total Certificates of Participation Payable	<u>2,850,000</u>	

SAN LORENZO VALLEY WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS
(Continued)

June 30, 1999 and 1998

4. LONG-TERM DEBT (Continued):

As of June 30, long-term debt consisted of (Continued):

	<u>1999</u>	<u>1998</u>
Total Accrued Vacation and Sick Leave	\$ 240,958	\$ 231,920
 Total Debt	 10,242,232	 6,466,985
Less: Current Portion	<u>269,531</u>	<u>311,986</u>
Total Long-Term Debt	<u>\$ 9,972,701</u>	<u>\$6,154,999</u>

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

June 30, 2000	\$ 269,531
June 30, 2001	322,454
June 30, 2002	369,517
June 30, 2003	378,966
June 30, 2004	323,381
Thereafter	<u>8,578,383</u>
	<u>\$10,242,232</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 1997/98 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, 1999 and 1998

5. EMPLOYEE BENEFITS (Continued):

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

Annual Pension Cost - For fiscal year 1997/98, 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 1997/98 was determined as part of the June 30, 1996 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 8.5% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 4.5% to 14.95%, and (c) 0.00% cost-of-living adjustment. Both (a) and (b) included an inflation component of 4.5%. 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>
6/30/94	N/A	N/A	N/A
6/30/95	-0-	100%	N/A
6/30/96	-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.

Funded Status of the Plan

<u>Valuation Date</u>	<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>
6/30/94	\$1,753,739	\$1,876,548	\$(122,809)	107.0%	\$1,170,351	(10.493%)
6/30/95	1,742,128	2,072,779	(330,651)	119.0%	1,117,874	(29.579%)
6/30/96	1,981,015	2,469,662	(488,647)	124.7%	984,770	(49.620%)

SAN LORENZO VALLEY WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS
(Continued)

June 30, 1999 and 1998

6. CASH AND INVESTMENTS:

Cash on deposit as of June 30, 1999 and 1998 was confirmed by the depositories and reconciled to the balances reflected on the books.

These funds were on deposit in the following depositories:

	<u>1999</u>	<u>1998</u>
Petty Cash	\$ 200	\$ 200
Wells Fargo Bank - Checking	15,314	5,257
Liberty Bank - Checking	4,612	3,382
Liberty Bank - Savings	92,991	56,054
Cash in County Treasury	75,935	75,935
Cash with Fiscal Agent	19,249	20,831
Funds Invested - Local Agency Investment Fund (LAIF)	4,665,144	
Funds Invested - US Treasury Bill	<u>1,327,969</u>	<u>1,618,698</u>
 Total	 6,201,414	 1,780,357
 Less Restricted Cash and Investments	 <u>4,606,490</u>	 <u>602,388</u>
 Current Portion	 <u>\$1,594,924</u>	 <u>\$1,177,969</u>

The District's deposits 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, 1999</u>		<u>June 30, 1998</u>	
	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Investment in State Investment Fund (LAIF)	\$4,665,144	\$4,665,144	\$1,618,698	\$1,618,698
Investment - US Treasury Bill	<u>1,327,969</u>	<u>1,327,969</u>		
 Total	 <u>\$5,993,113</u>	 <u>\$5,993,113</u>	 <u>\$1,618,698</u>	 <u>\$1,618,698</u>

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

SAN LORENZO VALLEY WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

June 30, 1999 and 1998

7. INTERFUND RECEIVABLES AND PAYABLES:

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

At June 30, 1998 the Sewer Fund was indebted to the Water Fund in the amount of \$11,064.

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>1999</u>	<u>1998</u>
Designated for:		
Emergency Reserve	\$ 733,898	\$ 661,939
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>\$4,836,939</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, 1999 and 1998

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. YEAR 2000 COMPLIANCE:

Like other organizations and individuals around the world, San Lorenzo Valley Water District could be adversely affected if the computer systems it uses and those used by significant third parties (e.g. vendors, customers, third party administrators, etc.) do not properly process and calculate date-related information and data. This is commonly known as the "Year 2000 issue." Management is assessing its computer systems and business processes and intends to initiate actions to address the Y2K needs identified. Management is also assessing the actions being taken by significant third parties that interface with San Lorenzo Valley Water District. At this time management is not able to determine the impact, including the costs of remediation, of the "Year 2000 issue" on the Organization.

14. RECLASSIFICATIONS/RESTATEMENTS:

Certain reclassifications have been made to the June 30, 1998 financial statements for them to be comparative to the June 30, 1999 presentation. Reclassifications consist mainly of reclassifications of \$204,815 of deferred charges from current assets to other assets - deferred charges. The reclassifications had no effect on fund equity as previously reported.

The financial statements as of June 30, 1998 have been restated to reflect a \$20,000 reserve for connection refunds. This results in retained earnings at June 30, 1998 being restated at an amount \$20,000 lower than previously reported.

SUPPLEMENTARY INFORMATION

SAN LORENZO VALLEY WATER DISTRICT

COMBINING BALANCE SHEET - WATER AND SEWER FUNDS

June 30, 1999

ASSETS

CURRENT ASSETS:	Enterprise Funds		Total
	Water Fund	Sewer Fund	
Cash & Investments:			
On Hand and On Deposit	\$ 113,117	\$ 35,543	\$ 148,660
Investments	1,446,264		1,446,264
Receivables:			
Customer Accounts (Net of Allowance for Uncollectibles of \$3,337)	200,888		200,888
Assessments and Miscellaneous Taxes	25,365	1,052	26,417
Interest Receivable	58,186		58,186
Other Receivables	4,965		4,965
Due From Other Funds	47,388		47,388
Inventory	121,310		121,310
Prepaid Expenses	1,097		1,097
Deposits	2,366		2,366
Total Current Assets	<u>2,020,946</u>	<u>36,595</u>	<u>2,057,541</u>
RESTRICTED CASH:			
Proceeds Improvement Refunding Bonds	1,327,969		1,327,969
Proceeds Certificates of Participation	2,518,738		2,518,738
Cash and Investments with Fiscal Agent	59,641		59,641
Connection and Construction Deposits	154,523		154,523
Customer Deposits	234,228		234,228
Reserve Fund - Certificates of Participation	239,861		239,861
North Boulder Creek Assessments	32,282		32,282
Reserve Fund - Improvement Refunding Bonds	39,248		39,248
Total Restricted Cash	<u>4,606,490</u>		<u>4,606,490</u>
PROPERTY, PLANT AND EQUIPMENT:			
Land	899,062	28,213	927,275
Utility Plant	17,578,050	1,209,121	18,787,171
Building, Equipment, and Other Assets	1,912,833	4,142	1,916,975
Total Property, Plant and Equipment	<u>20,389,945</u>	<u>1,241,476</u>	<u>21,631,421</u>
Less: Accumulated Depreciation	<u>(6,191,059)</u>	<u>(358,300)</u>	<u>(6,549,359)</u>
	14,198,886	883,176	15,082,062
Construction in Progress	575,881		575,881
Total Property, Plant and Equipment (Net)	<u>14,774,767</u>	<u>883,176</u>	<u>15,657,943</u>
OTHER ASSETS:			
Deferred Charges	<u>583,605</u>		<u>583,605</u>
TOTAL ASSETS	<u>\$ 21,985,808</u>	<u>\$ 919,771</u>	<u>\$ 22,905,579</u>

See Independent Auditor's Report on Supplementary Information

LIABILITIES AND FUND EQUITY

	Enterprise Funds		Total
	Water Fund	Sewer Fund	
CURRENT LIABILITIES:			
Accounts Payable	\$ 167,113		\$ 167,113
Due to Other Funds		\$ 47,388	47,388
Accrued Expenses	1,575	259	1,834
Accrued Interest	34,401		34,401
Current Portion of Long-Term Debt	244,038	25,493	269,531
Connection and Construction Deposits	154,523		154,523
Customer Deposits	234,228		234,228
	<hr/>	<hr/>	<hr/>
Total Current Liabilities	835,878	73,140	909,018
	<hr/>	<hr/>	<hr/>
Long-Term Liabilities (Net of Current Portion):			
Special Assessment Bonds	2,426,361		2,426,361
California Special District Lease Financing	230,000		230,000
Notes Payable	4,273,573		4,273,573
Certificates of Participation	2,850,000		2,850,000
Accrued Vacation and Sick Leave	190,793	1,974	192,767
	<hr/>	<hr/>	<hr/>
Total Long-Term Liabilities	9,970,727	1,974	9,972,701
	<hr/>	<hr/>	<hr/>
Total Liabilities	10,806,605	75,114	10,881,719
	<hr/>	<hr/>	<hr/>
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
	<hr/>	<hr/>	<hr/>
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	2,755,376	710,610	3,465,986
	<hr/>	<hr/>	<hr/>
Total Retained Earnings	8,708,815	743,256	9,452,071
	<hr/>	<hr/>	<hr/>
Total Fund Equity	11,179,203	844,657	12,023,860
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND EQUITY	\$ 21,985,808	\$ 919,771	\$ 22,905,579
	<hr/>	<hr/>	<hr/>

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, 1999

	Water Fund	Sewer Fund	Total
OPERATING INCOME:			
Water Fees	\$ 2,509,762		\$ 2,509,762
Sewer Charges		\$ 21,964	21,964
Assessments	142,762	21,251	164,013
Property Taxes	250,754		250,754
Meter Sales	137,895		137,895
Charges and Penalties	34,155		34,155
Miscellaneous	12,860		12,860
Total Operating Income	<u>3,088,188</u>	<u>43,215</u>	<u>3,131,403</u>
OPERATING EXPENSES:			
Salaries and Benefits	1,240,121	16,050	1,256,171
Contractual and Professional Services	150,297	19,023	169,320
Amortization and Depreciation	647,043	30,122	677,165
Material and Supplies	83,563	5,443	89,006
Utilities and Telephone	180,748	4,608	185,356
Insurance	50,122	229	50,351
Vehicle and Equipment Maintenance	31,956	303	32,259
Building Maintenance	17,962	1,099	19,061
Collection Fees and Bad Debts	1,391		1,391
Miscellaneous	7,009		7,009
Travel, Meals and Conferences	7,218		7,218
Auto Allowance	7,800		7,800
Office Expenses	48,407	270	48,677
Rentals and Permits	7,962	1,441	9,403
Refunds of Connection Charges	20,000		20,000
Total Operating Expenses	<u>2,501,599</u>	<u>78,588</u>	<u>2,580,187</u>
OPERATING INCOME (LOSS)	<u>586,589</u>	<u>(35,373)</u>	<u>551,216</u>
NON-OPERATING INCOME (EXPENSES):			
Interest Earned	138,301		138,301
Loss on Disposition of Assets	(1,658)		(1,658)
Interest Expense	(321,982)	(5,663)	(327,645)
Government Storm Funds	447,615		447,615
Prior Year Expense Allocation			
Litigation Revenue	137,200		137,200
Total Non-Operating Income (Expenses)	<u>399,476</u>	<u>(5,663)</u>	<u>393,813</u>
NET INCOME (LOSS)	986,065	(41,036)	945,029
RETAINED EARNINGS AT BEGINNING OF YEAR, as Restated	<u>7,722,750</u>	<u>784,292</u>	<u>8,507,042</u>
RETAINED EARNINGS AT END OF YEAR	<u>\$ 8,708,815</u>	<u>\$ 743,256</u>	<u>\$ 9,452,071</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, 1999

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating Income (Loss)	\$ 586,589	\$ (35,373)	\$ 551,216
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Provision for Depreciation	647,043	30,122	677,165
(Increase) in Receivables	62,498	142	62,640
(Increase) in Restricted Cash	(81,738)		(81,738)
(Increase) in Inventory	(2,314)		(2,314)
(Increase) in Other Assets and Deferred Charges	(400,826)		(400,826)
Increase (Decrease) in Accounts Payable	5,541	(134)	5,407
Increase in Other Liabilities	88,316	276	88,592
Gain/Loss on Disposition of Fixed Assets	1,658		1,658
Interfund Receivable/Payable	(36,324)	36,324	0
Total Adjustments	<u>283,854</u>	<u>66,730</u>	<u>350,584</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>870,443</u>	<u>31,357</u>	<u>901,800</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds Certificates of Participation	2,850,000		2,850,000
Proceeds Improvement Refunding Bonds	1,199,000		1,199,000
Acquisition of Capital Assets	(661,685)	(5,692)	(667,377)
Payment of Principal	(253,753)	(20,000)	(273,753)
Payment of Interest	(352,716)	(5,663)	(358,379)
Increase in Restricted Cash - Financing	<u>(3,922,364)</u>		<u>(3,922,364)</u>
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(1,141,518)</u>	<u>(31,355)</u>	<u>(1,172,873)</u>
CASH FLOWS FROM NON-OPERATING ACTIVITIES:			
Proceeds Litigation Revenue	137,200		137,200
Proceeds Government Storm Funds	447,615		447,615
Interest on Investments	<u>103,213</u>		<u>103,213</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>688,028</u>		<u>688,028</u>
NET INCREASE IN CASH	416,953	2	416,955
CASH AT BEGINNING OF YEAR	<u>1,142,428</u>	<u>35,541</u>	<u>1,177,969</u>
CASH AT END OF YEAR	<u>\$ 1,559,381</u>	<u>\$ 35,543</u>	<u>\$ 1,594,924</u>

See Independent Auditor's Report on Supplementary Information

SAN LORENZO VALLEY WATER DISTRICT
PUBLIC EMPLOYEES RETIREMENT SYSTEM
ANALYSIS OF FUNDING PROGRESS (In Hundreds)

June 30, 1999

Fiscal Year Ending June 30	[1] Net Assets Available for Benefits	[2] Pension Benefits Obligation	[3] Percent Funded [1] / [2]	[4] Unfunded Pension Benefit Obligation [2] - [1]	[5] Estimated Annual Covered Payroll For the Succeeding Fiscal Year	[6] Unfunded Pension Benefit Obligation as a Percentage of Covered Payroll [4] / [5]
1988	\$ 8,431.9	\$ 7,653.2	110.2	\$ (778.7)	\$ 6,894.3	-11.3
1989	10,018.4	8,852.6	113.2	(1,165.8)	6,543.9	-17.8
1990	11,706.1	10,678.6	109.6	(1,027.5)	7,083.0	-14.5
1991	12,433.2	11,577.3	107.4	(855.9)	7,331.5	-11.7
1992	14,091.8	12,944.2	108.9	(1,147.6)	8,642.4	-13.3
1993	15,763.6	14,302.4	110.2	(1,461.3)	9,069.4	-16.1
1994	19,885.6	14,944.3	133.1	(4,941.4)	11,905.0	-41.5
1995	22,323.7	15,192.1	146.9	(7,131.7)	11,418.7	-62.5
1996	26,230.1	17,399.1	150.8	(8,831.1)	12,748.4	-69.3

Note: The information in the table has been presented for as many years as the standardized measure of pension benefit obligations is available.

Source: PERS

See Independent Auditor's Report on Supplementary Information

SAN LORENZO VALLEY WATER DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 1999

<u>Federal Grantor/Pass-through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identification Number</u>	<u>Federal Expenditures</u>
Federal Emergency Management Agency			
All funds passed through State of California Office of Emergency Services			
Disaster FEMA-1203-DR-CA	83.544		
Project Application Number		087-91038	<u>\$ 447,615</u>

SAN LORENZO VALLEY WATER DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 1999

The auditor's report on compliance and on internal control over financial reporting disclosed no instances of noncompliance and no reportable conditions.

The auditor's report on compliance applicable to each major program and internal control in accordance with OMB Circular A-133 disclosed no instances of noncompliance or reportable conditions.

The threshold for distinguishing type A and B programs was \$300,000.

The Organization was not a low risk auditee.

No findings or questioned costs were disclosed during the audit.

Alexander W. Berger, Emeritus
Griffith R. Lewis
Thomas J. Canevari
Frank A. Minuti, Jr.
Lawrence S. Kuechler
Roberto M. Maragoni
Robert W. Smiley
Thomas C. Bondi
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September 17, 1999

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCING REPORTING BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of San Lorenzo Valley Water District as of and for the year ended June 30, 1999, and have issued our report thereon dated September 17, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether San Lorenzo Valley Water District's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an object of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance what are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered San Lorenzo Valley Water District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one



or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

BERGER/LEWIS ACCOUNTANCY CORPORATION

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

Alexander W. Berger, Emeritus
Griffith R. Lewis, Emeritus
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September 17, 1999

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of San Lorenzo Valley Water District with the types of compliance requirement described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 1999. San Lorenzo Valley Water District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of San Lorenzo Valley Water District's management.

Our responsibility is to express an opinion on San Lorenzo Valley Water District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about San Lorenzo Valley Water District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on San Lorenzo Valley Water District's compliance with those requirements.

In our opinion, San Lorenzo Valley Water District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1999.



Internal Control Over Compliance

The management of San Lorenzo Valley Water District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered San Lorenzo Valley Water District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

BERGER/LEWIS ACCOUNTANCY CORPORATION

By: 

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November 2, 1999

San Lorenzo Valley Water District
13060 Highway 9
Boulder Creek, CA 95006

Enclosed are the bound financial statements for San Lorenzo Valley Water District for the year ended June 30, 1999. I have on my schedule Thursday November 18th at 7:00 to be at the District office to present the financial statements to the Board of Directors.

We have not issued a management letter; we noted no items for recommendation.

Also enclosed are the following items:

Data Collection Form: Please sign, date and title the form and mail along with two copies of the audit to: Single Audit Clearinghouse, 1201 E. 10th Street, Jeffersonville, IN 47132.

Client Representation Letter: Please sign and return to us in the envelope provided.

We sincerely appreciate this opportunity to provide audit services to San Lorenzo Valley Water District and the support that you and your staff provided us during our work.

Very truly yours,

A handwritten signature in blue ink, appearing to read "Robert Smiley", with a long horizontal flourish extending to the right.

Robert Smiley

FORM 55 SAC
(2-97)DEPARTMENT OF COMMERCE - BUREAU OF THE CENSUS
ACTING AS COLLECTIVE AGENT FOR
OFFICE OF MANAGEMENT AND BUDGET

AUDITS OF STATES, LOCAL GOVERNMENTS AND NON-PROFIT ORGANIZATIONS

Complete this form, as required by OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

Single Audit Clearinghouse
1201 E. 10th Street
Jeffersonville, IN 47132

GENERAL INFORMATION (To be completed by auditee, except for item 7)

1. Fiscal year ending date for this submission

Month Day Year
06 / 30 / 99

2. Type of Circular A-133 audit

☒ Single audit ☐ Program-specific audit

3. Audit period covered

☒ Annual ☐ Other - Months
☐ BiennialFEDERAL
GOVERNMENT
USE ONLY4. Date received by Federal
clearinghouse

5. Employer Identification Number (EIN)

a. Auditee EIN

9 4 6 0 5 0 3 7 0

b. Are multiple EINs covered in this report? ☐ Yes ☒ No

6. AUDITEE INFORMATION

a. Auditee name

San Lorenzo Valley Water District

b. Auditee address (Number and street)

13060 Highway 9

City

Boulder Creek

State

CA

ZIP Code

95006

c. Auditee contact

Name

James A. Mueller

Title

District Manager

d. Auditee contact telephone

(831) 338 - 2153

e. Auditee contact FAX (Optional)

(831) 338 - 7986

f. Auditee contact E-mail (Optional)

AUDITEE CERTIFICATION STATEMENT - This is to certify that, to the best of my knowledge and belief, the auditee has: (1) Engaged an auditor to perform an audit in accordance with the provisions of OMB Circular A-133 for the period described in Part I, Items 1 and 3; (2) the auditor has completed such audit and presented a signed audit report which states that the audit was conducted in accordance with the provisions of the Circular; and (3) the information included in Parts I, B, and III of this data collection form is accurate and complete. I declare that the foregoing is true and correct.

Signature of certifying official

Date

Month Day Year

11 / 10 / 99

Name/Title of certifying official

7. AUDITOR INFORMATION (To be completed by auditor)

a. Auditor name

Berger/Lewis Accountancy Corporation

b. Auditor address (Number and street)

740 Front Street, Suite 365

City

Santa Cruz

State

CA

ZIP Code

95060

c. Auditor contact

Name

Robert W. Smiley

Title

CPA

d. Auditor contact telephone

(831) 423 - 6500

e. Auditor contact FAX (Optional)

(831) 423 - 5206

f. Auditor contact E-mail (Optional)

AUDITOR STATEMENT - The data elements and information included in this form are limited to those prescribed by OMB Circular A-133. The information included in Parts II and III of the form, except for Part III, Items 5 and 6, was transferred from the auditor's report(s) for the period described in Part I, Items 1 and 3, and is not a substitute for such reports. The auditor has not performed any auditing procedures since the date of the auditor's report(s). A copy of the reporting package required by OMB Circular A-133, which includes the complete auditor's report(s), is available in its entirety from the auditee at the address provided in Part I of this form. As required by OMB Circular A-133, the information in Parts II and III of this form was entered in this form by the auditor based on information included in the reporting package. The auditor has not performed any additional auditing procedures in connection with the completion of this form.

Signature of auditor

Date

Month Day Year

11/3/99

GENERAL INFORMATION - Continued

8. Indicate whether the auditee has either a Federal cognizant or oversight agency for audit. (Mark (X) one box)
☒ 1 Cognizant agency ☐ 2 Oversight agency

9. Name of Federal cognizant or oversight agency for audit (Mark (X) one box)

- | | | | |
|--|--|---|--|
| <input type="checkbox"/> 01 African Development Foundation | <input checked="" type="checkbox"/> 33 Federal Emergency Management Agency | <input type="checkbox"/> 16 Justice | <input type="checkbox"/> 08 Peace Corps |
| <input type="checkbox"/> 02 Agency for International Development | <input type="checkbox"/> 34 Federal Mediation and Conciliation Service | <input type="checkbox"/> 17 Labor | <input type="checkbox"/> 59 Small Business Administration |
| <input type="checkbox"/> 10 Agriculture | <input type="checkbox"/> 39 General Services Administration | <input type="checkbox"/> 43 National Aeronautics and Space Administration | <input type="checkbox"/> 96 Social Security Administration |
| <input type="checkbox"/> 11 Commerce | <input type="checkbox"/> 93 Health and Human Services | <input type="checkbox"/> 58 National Archives and Records Administration | <input type="checkbox"/> 19 State |
| <input type="checkbox"/> 94 Corporation for National and Community Service | <input type="checkbox"/> 14 Housing and Urban Development | <input type="checkbox"/> 05 National Endowment for the Arts | <input type="checkbox"/> 20 Transportation |
| <input type="checkbox"/> 12 Defense | <input type="checkbox"/> 03 Institute for Museum Services | <input type="checkbox"/> 06 National Endowment for the Humanities | <input type="checkbox"/> 21 Treasury |
| <input type="checkbox"/> 64 Education | <input type="checkbox"/> 04 Inter-American Foundation | <input type="checkbox"/> 47 National Science Foundation | <input type="checkbox"/> 82 United States Information Agency |
| <input type="checkbox"/> 81 Energy | <input type="checkbox"/> 18 Interior | <input type="checkbox"/> 07 Office of National Drug Control Policy | <input type="checkbox"/> 64 Veterans Affairs |
| <input type="checkbox"/> 65 Environmental Protection Agency | | | <input type="checkbox"/> Other - Specify: |

FINANCIAL STATEMENTS (To be completed by auditor)

1. Type of audit report (Mark (X) one box)

- ☒ 1 Unqualified opinion ☐ 2 Qualified opinion ☐ 3 Adverse opinion ☐ 4 Disclaimer of opinion

2. Is a "going concern" explanatory paragraph included in the audit report?

- ☐ 1 Yes ☒ 2 No

3. Is a reportable condition disclosed?

- ☐ 1 Yes ☒ 2 No

SKIP to item 5

4. Is any reportable condition reported as a material weakness?

- ☐ 1 Yes ☐ 2 No

5. Is a material noncompliance disclosed?

- ☐ 1 Yes ☒ 2 No

FEDERAL PROGRAMS (To be completed by auditor)

1. Type of audit report on major program compliance

- ☒ 1 Unqualified opinion ☐ 2 Qualified opinion ☐ 3 Adverse opinion ☐ 4 Disclaimer of opinion

2. What is the dollar threshold to distinguish Type A and Type B programs? § 520(b)?

\$ 300,000

3. Did the auditee qualify as a low-risk auditee (§ 530)?

- ☐ 1 Yes ☒ 2 No

4. Are there any audit findings required to be reported under § 510(a)?

- ☐ 1 Yes ☒ 2 No

5. Which Federal Agencies are required to receive the reporting package? (Mark (X) all that apply)

- | | | | |
|--|--|---|--|
| <input type="checkbox"/> 01 African Development Foundation | <input type="checkbox"/> 33 Federal Emergency Management Agency | <input type="checkbox"/> 16 Justice | <input type="checkbox"/> 08 Peace Corps |
| <input type="checkbox"/> 02 Agency for International Development | <input type="checkbox"/> 34 Federal Mediation and Conciliation Service | <input type="checkbox"/> 17 Labor | <input type="checkbox"/> 59 Small Business Administration |
| <input type="checkbox"/> 10 Agriculture | <input type="checkbox"/> 39 General Services Administration | <input type="checkbox"/> 43 National Aeronautics and Space Administration | <input type="checkbox"/> 96 Social Security Administration |
| <input type="checkbox"/> 11 Commerce | <input type="checkbox"/> 93 Health and Human Services | <input type="checkbox"/> 58 National Archives and Records Administration | <input type="checkbox"/> 19 State |
| <input type="checkbox"/> 94 Corporation for National and Community Service | <input type="checkbox"/> 14 Housing and Urban Development | <input type="checkbox"/> 05 National Endowment for the Arts | <input type="checkbox"/> 20 Transportation |
| <input type="checkbox"/> 12 Defense | <input type="checkbox"/> 03 Institute for Museum Services | <input type="checkbox"/> 06 National Endowment for the Humanities | <input type="checkbox"/> 21 Treasury |
| <input type="checkbox"/> 64 Education | <input type="checkbox"/> 04 Inter-American Foundation | <input type="checkbox"/> 47 National Science Foundation | <input type="checkbox"/> 82 United States Information Agency |
| <input type="checkbox"/> 81 Energy | <input type="checkbox"/> 15 Interior | <input type="checkbox"/> 07 Office of National Drug Control Policy | <input type="checkbox"/> 64 Veterans Affairs |
| <input type="checkbox"/> 65 Environmental Protection Agency | | | <input checked="" type="checkbox"/> 00 None |
| | | | <input type="checkbox"/> Other - Specify: |

EIN:

9 4 6 0 5 0 3 7 0

FEDERAL PROGRAMS - Continued							
6. FEDERAL AWARDS EXPENDED DURING FISCAL YEAR		7. AUDIT FINDINGS AND QUESTIONED COSTS					
CFDA number (a)	Name of Federal program (b)	Amount expended (c)	Major program (e) 1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	Type of compliance requirement (b) 0	Amount of questioned costs (c) \$ N/A	Internal control findings (d) 1 <input type="checkbox"/> A <input type="checkbox"/> C 2 <input type="checkbox"/> B	Audit finding reference number (e) N/A
83.544	Disaster - FEMA - DR 1203	\$ 447,615	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	0	\$	1 <input type="checkbox"/> A <input type="checkbox"/> C 2 <input type="checkbox"/> B	N/A
		\$	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$	1 <input type="checkbox"/> A <input type="checkbox"/> C 2 <input type="checkbox"/> B	
		\$	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$	1 <input type="checkbox"/> A <input type="checkbox"/> C 2 <input type="checkbox"/> B	
		\$	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$	1 <input type="checkbox"/> A <input type="checkbox"/> C 2 <input type="checkbox"/> B	
		\$	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$	1 <input type="checkbox"/> A <input type="checkbox"/> C 2 <input type="checkbox"/> B	
		\$	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$	1 <input type="checkbox"/> A <input type="checkbox"/> C 2 <input type="checkbox"/> B	
		\$	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$	1 <input type="checkbox"/> A <input type="checkbox"/> C 2 <input type="checkbox"/> B	
		\$	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$	1 <input type="checkbox"/> A <input type="checkbox"/> C 2 <input type="checkbox"/> B	
		\$	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$	1 <input type="checkbox"/> A <input type="checkbox"/> C 2 <input type="checkbox"/> B	
		\$	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$	1 <input type="checkbox"/> A <input type="checkbox"/> C 2 <input type="checkbox"/> B	
		\$	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$	1 <input type="checkbox"/> A <input type="checkbox"/> C 2 <input type="checkbox"/> B	
		\$	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$	1 <input type="checkbox"/> A <input type="checkbox"/> C 2 <input type="checkbox"/> B	
		\$	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$	1 <input type="checkbox"/> A <input type="checkbox"/> C 2 <input type="checkbox"/> B	
TOTAL FEDERAL AWARDS EXPENDED		\$ 447,615			\$		

IF ADDITIONAL LINES ARE NEEDED, PLEASE PHOTOGRAPH THIS PAGE AND ATTACH ADDITIONAL PAGES TO THE FORM, AND SEE INSTRUCTIONS.

1. Or other identifying number when the Center of Federal Financial Assistance (CFDA) number is not available.
 2. Type of compliance requirement (Enter the letter(s) of all that apply to audit findings and questioned costs reported for each federal program.)
 A. Activities allowed or unallowed
 B. Allowable costs/cost principles
 C. Cash management
 D. Davis-Bacon Act
 E. Eligibility
 F. Equipment and real property management
 G. Matching, level of effort, earmarking
 H. Period of availability of funds
 I. Procurement
 J. Program income
 K. Real property acquisition and relocation assistance
 L. Reporting
 M. Subrecipient monitoring
 N. Special tests and provisions
 O. None

3. Type of internal control findings (Mark (X) all that apply).
 A. Material weaknesses
 B. Reportable conditions
 C. None reported

September 17, 1999

Berger/Lewis Accountancy Corporation
740 Front Street, Suite 365
Santa Cruz, CA 95060

In connection with your audit of the general purpose financial statements of San Lorenzo Valley Water District as of June 30, 1999, and for the year then ended for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position of San Lorenzo Valley Water District and the results of its operations in conformity with generally accepted accounting principles, we confirm, to the best of our knowledge and belief, the following representations made to you during the audit.

1. We are responsible for the fair presentation in the financial statements of financial position and results of operations of San Lorenzo Valley Water District in conformity with generally accepted accounting principles. The financial statements include all properly classified funds and account groups required by generally accepted accounting principles to be included in the financial reporting entity.
2. We have made available to you all -
 - a. Financial records and related data.
 - b. Minutes of meetings of San Lorenzo Valley Water District or summaries of actions of recent meetings for which minutes have not yet been prepared.

3. There have been no –
 - a. Irregularities involving management or employees who have significant roles in the internal control structure.
 - b. Irregularities involving other employees that could have a material effect on the financial statements.
 - c. Communications from regulatory or lending agencies concerning noncompliance with, or deficiencies in, financial reporting practices that could have a material effect on the financial statements.
4. We have no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or fund balances.
5. The following have been properly recorded or disclosed in the financial statements:
 - a. Joint ventures and related party transactions and related accounts receivable or payable, including revenue, expenditures, loans, transfers, leasing arrangements, and guarantees.
 - b. Arrangements with financial institutions involving repurchase or reverse repurchase agreements, compensating balances or other arrangements involving restrictions on cash balances and lines-of-credit or similar arrangements.
 - c. Agreements to repurchase assets previously sold.
6. There are no –
 - a. Violations or possible violations of budget ordinances, or laws or regulations (including those pertaining to adopting and amending budgets) whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

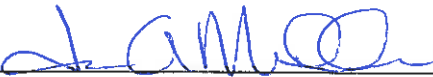
- b. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by Statement of Financial Accounting Standards No. 5.
 - c. Reservations or designations of fund equity that were not properly authorized and approved.
- 7. There are no unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with Statement of Financial Accounting Standards No. 5.
- 8. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.
- 9. Provision, when material, has been made to reduce excess or obsolete inventories to their estimated net realizable value.
- 10. San Lorenzo Valley Water District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged, except as made known to you and disclosed in the notes to the financial statements.
- 11. We are responsible for San Lorenzo Valley Water District's compliance with laws and regulations applicable to it, and we have identified, and disclosed to you, all laws and regulations that have a direct and material effect on the determination of financial statement amounts. We have complied with all aspects of laws, regulations, and contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 12. We have identified all accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates, and we believe the estimates are reasonable in the circumstances.

13. No events have occurred subsequent to the balance sheet date that would require adjustments to, or disclosure in, the financial statements.
14. There has been no -
 - a. Fraud involving management or employees who have significant roles in internal control.
 - b. Fraud involving others that could have a material effect on the financial statements.
15. With respect to federal award programs:
 - a. We are responsible for complying and have complied with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.
 - b. We have, in accordance with OMB Circular A-133, identified in the schedule of expenditures of federal awards, expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance.
 - c. We are responsible for complying with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major federal program.

- d. We are responsible for establishing and maintaining effective internal control over compliance requirements applicable to federal programs that provides reasonable assurance that we are managing our federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended. Also, no changes have been made in the internal control system to the date of this letter that might significantly affect internal control, including any corrective action taken with regard to reportable conditions reported in the schedule of findings and questioned costs.
- e. We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relating to each major federal program.
- f. We have received no requests from a federal agency to audit one or more specific programs as a major program.
- g. We have complied, in all material respects, with the compliance requirements, including when applicable, those set forth in the *OMB Circular A-133 Compliance Supplement*, relating to federal awards and have identified and disclosed to you all amounts questioned and any known noncompliance with the requirements of federal awards, including the results of other audits or program reviews.
- h. Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB Circular A-87, *Cost Principles for State, Local, and Tribal Governments*, and OMB's *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*.
- i. We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.

- j. We have made available to you all documentation related to the compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- k. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared, and are prepared on a basis consistent with the schedule of expenditures of federal awards.
- l. The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- m. We have monitored subrecipients to determine that they have expended pass-through assistance in accordance with applicable laws and regulations and have met the requirements of OMB Circular A-133, if applicable.
- n. We have taken appropriate action on a timely basis after receipt of subrecipients' auditor's reports that identified noncompliance with laws, regulations, or the provisions of contracts or grant agreements to ensure that subrecipients have taken the appropriate and timely corrective action on findings, if applicable.
- o. We have considered the results of subrecipient audits and have made any necessary adjustments to our books and records, if applicable.
- p. We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by OMB Circular A-133.
- r. We have disclosed to you all contracts or other agreements with our service organizations relating to noncompliance at the service organizations.

16. We understand that we are responsible for the effects of the Year 2000 issue on our computer systems and other electronic equipment, including the effects from third parties such as funding sources, vendors, and service providers, and are responsible for developing and implementing a plan to become Year 2000 compliant.

Signed: 

Dated: 10 NOV 99