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SAN LORENZO VALLEY WATER DISTRICT

\* \* \*

FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

\* \* \*

June 30, 2002 and 2001

SAN LORENZO VALLEY WATER DISTRICT

TABLE OF CONTENTS

June 30, 2002 and 2001

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS:	
Combined Balance Sheets - All Proprietary Funds	3-4
Combined Statements of Income, Expenses and Changes in Retained Earnings - All Proprietary Funds	5
Combined Statements of Cash Flows - All Proprietary Funds	6
Notes to Financial Statements	7-16
SUPPLEMENTARY INFORMATION:	
Combining Balance Sheet - Water and Sewer Funds	17-18
Combining Statement of Income, Expenses and Changes in Retained Earnings - Water and Sewer Funds	19
Combining Statement of Cash Flows - Water and Sewer Funds	20
Schedule of Expenditures of Federal Awards	21
Schedule of Findings and Questioned Costs	22
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	23-24
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	25-26

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## 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, 2002 and 2001 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2002 and 2001, and results of its operations and cash flows in conformity with accounting principles generally accepted in the United States of America.



In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2002, 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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 17 - 20 is presented for purposes of supplementary information, including the schedule of expenditures of federal awards as required by the 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 basic financial statements. Such information for the year ended June 30, 2002 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  
Santa Cruz, California  
October 11, 2002

SAN LORENZO VALLEY WATER DISTRICT

COMBINED BALANCE SHEETS - ALL PROPRIETARY FUNDS

June 30, 2002 and 2001

ASSETS		
	2002	2001
<b>CURRENT ASSETS:</b>		
Cash and Investments (Note 6)	\$ 7,607,153	\$ 5,168,268
Receivables:		
Customer Accounts - Net of Allowance for Uncollectibles of \$3,252 as of June 30, 2002 and 2001	246,719	239,282
Interest Receivable	362,871	441,341
Due from Other Funds (Note 7)	9,366	15,834
Other Receivables	31,431	29,765
Inventory (Note 2)	142,684	117,524
Prepaid Expenses and Deferred Charges		
Deposits	4,972	2,940
Note Receivable - Current Portion (Note 13)		970,000
Total Current Assets	<u>8,405,196</u>	<u>6,984,954</u>
<b>RESTRICTED CASH AND INVESTMENTS (Note 6):</b>		
Proceeds Certificates of Participation	1,466,036	2,500,255
Cash and Investments with Fiscal Agent	57,403	57,403
Connection and Construction Deposits Investment (Note 9)	164,102	144,802
Customer Deposits (Note 8)	270,348	259,944
Reserve Fund - Certificates of Participation	239,125	239,125
North Boulder Creek Assessments	190,076	52,400
Reserve Fund - Improvement Refunding Bonds	145,706	256,257
Total Restricted Cash and Investments	<u>2,532,796</u>	<u>3,510,186</u>
<b>PROPERTY, PLANT AND EQUIPMENT (Note 3):</b>		
Land	1,113,057	1,113,057
Utility Plant	21,532,675	19,674,454
Buildings, Equipment and Other Assets	2,374,485	2,275,430
Total Property, Plant and Equipment	<u>25,020,217</u>	<u>23,062,941</u>
Less - Accumulated Depreciation	<u>(8,598,310)</u>	<u>(7,888,151)</u>
	16,421,907	15,174,790
Construction in Progress	1,178,347	607,536
Total Property, Plant and Equipment	<u>17,600,254</u>	<u>15,782,326</u>
<b>OTHER ASSETS:</b>		
Deferred Charges	345,892	368,425
Note Receivable - Net of Current Portion (Note 13)	5,290,000	6,790,000
Total Other Assets	<u>5,635,892</u>	<u>7,158,425</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 34,174,138</u></u>	<u><u>\$ 33,435,891</u></u>

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

SAN LORENZO VALLEY WATER DISTRICT

COMBINED BALANCE SHEETS - ALL PROPRIETARY FUNDS  
(Continued)

June 30, 2002 and 2001

LIABILITIES AND NET ASSETS

	2002	2001
<b>CURRENT LIABILITIES:</b>		
Accounts Payable	\$ 171,203	\$ 265,202
Due to Other Funds (Note 7)	9,366	15,834
Accrued Expenses	876	2,199
Accrued Interest	62,631	62,846
Refunds Payable	2,777	
Current Portion of Long-Term Debt (Note 4)	378,966	369,517
Connection and Construction Deposits (Note 9)	164,102	144,802
Customer Deposits (Note 8)	270,348	259,944
Accrued Vacation and Sick Leave	279,704	244,708
Total Current Liabilities	<u>1,339,973</u>	<u>1,365,052</u>
<b>LONG-TERM LIABILITIES - NET OF CURRENT PORTION</b> (Note 4):		
Special Assessment Bonds	1,110,000	1,170,000
California Special District Lease Financing	205,000	220,000
Notes Payable	3,879,101	4,079,934
Certificates of Participation	2,580,000	2,675,000
Less Current Portion	(378,966)	(369,517)
Total Long-Term Liabilities	<u>7,395,135</u>	<u>7,775,417</u>
Total Liabilities	<u>8,735,108</u>	<u>9,140,469</u>
<b>FUND EQUITY:</b>		
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)	4,998,898	4,978,898
Undesignated	16,791,156	15,667,548
Total Retained Earnings, as restated (Note 14)	<u>22,867,241</u>	<u>21,723,633</u>
Total Fund Equity	<u>25,439,030</u>	<u>24,295,422</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 34,174,138</u>	<u>\$ 33,435,891</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, 2002 and 2001

OPERATING INCOME:	2002	2001
Water Fees	\$ 2,766,625	\$ 2,677,070
Sewer Charges	44,520	44,522
Assessments	151,555	135,213
Property Taxes	317,998	295,386
Meter Sales	42,561	150,286
Charges and Penalties	32,410	32,425
Miscellaneous	22,725	12,492
Total Operating Income	<u>3,378,394</u>	<u>3,347,394</u>
OPERATING EXPENSES:		
Salaries and Benefits (Net of Capitalized)	1,532,405	1,364,241
Contractual and Professional Services	180,103	197,188
Amortization and Depreciation	761,292	721,002
Materials and Supplies	105,427	99,147
Utilities and Telephone	333,746	225,544
Insurance	35,986	33,180
Vehicle and Equipment Maintenance	46,860	39,773
Building Maintenance	20,732	27,238
Collection Fees and Charges	3,044	
Miscellaneous	39,301	20,809
Travel, Meals and Conferences	9,938	7,502
Auto Allowance	7,800	7,800
Office Expenses	41,915	42,817
Rental and Permits	17,771	17,669
Reserve for Connection Refunds		20,000
Total Operating Expenses	<u>3,136,320</u>	<u>2,823,910</u>
NET OPERATING INCOME	<u>242,074</u>	<u>523,484</u>
NON-OPERATING INCOME (EXPENSES):		
Interest Earned	786,965	906,752
Gain (Loss) on Disposition of Assets	6,758	10,504,151
Interest Expense	(385,135)	(382,085)
Government Storm Funds	492,946	
Total Non-Operating Income (Expenses)	<u>901,534</u>	<u>11,028,818</u>
NET INCOME	1,143,608	11,552,302
RETAINED EARNINGS, at Beginning of Year, As Restated	<u>21,723,633</u>	<u>10,171,331</u>
RETAINED EARNINGS, At End of Year	<u>\$ 22,867,241</u>	<u>\$ 21,723,633</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, 2002 and 2001

	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating Income	\$ 242,074	\$ 523,484
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Provision for Depreciation and Amortization	761,292	721,002
(Increase) Decrease in Receivables	(9,103)	4,097
(Increase) Decrease in Restricted Cash	977,390	(76,384)
(Increase) Decrease in Inventory	(25,160)	(2,920)
(Increase) Decrease in Deposits	(2,032)	305
Increase (Decrease) in Accounts Payable	(93,999)	146,956
Increase (Decrease) in Other Liabilities	63,377	(54,239)
Increase (Decrease) in Refunds Payable	2,777	
Total Adjustments	1,674,542	738,817
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,916,616	1,262,301
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of Capital Assets	(2,563,711)	(1,139,818)
Payment of Principal	(370,833)	(322,656)
Payment of Interest	(385,350)	(390,859)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(3,319,894)	(1,853,333)
CASH FLOWS FROM NON-OPERATING ACTIVITIES:		
Interest on Investments	865,435	541,455
Receipt of Government Storm Funds	492,946	
Proceeds Sale of Fixed Assets	13,782	3,126,038
Payment of Principal on Notes Receivable	2,470,000	
NET CASH PROVIDED BY INVESTING ACTIVITIES	3,842,163	3,667,493
NET INCREASE IN CASH	2,438,885	3,076,461
CASH AND INVESTMENTS AT BEGINNING OF YEAR	5,168,268	2,091,807
CASH AND INVESTMENTS AT END OF YEAR	\$ 7,607,153	\$ 5,168,268

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



# SAN LORENZO VALLEY WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2002 and 2001

### 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, 2001, the District owned approximately 2,030 acres of land and was servicing approximately 5,750 customers.

Board of Directors - The San Lorenzo Valley Water District is governed by a five person Board of Directors elected to four-year terms by registered voters throughout the District's boundaries. The Board is responsible for the establishment of policy on the District's mission, goals and operations.

The Board of Directors and expiration of their term, as of June 30, 2002, are as follows:

Larry Prather, President	December, 2002
James Rapoza, Vice-President	December, 2002
James Nelson, Director	December, 2004
David Ross, Director	December, 2004
Terry Vierra, Director	December, 2002

### 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.

SAN LORENZO VALLEY WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS  
(Continued)

June 30, 2002 and 2001

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Fixed Assets (Continued):

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.

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, 2002 and 2001

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, 2002 and 2001, 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:

	2001			
	Water Fund	Sewer Fund	Construction in Progress	Total
Balance, June 30, 2000	\$ 21,146,092	\$ 1,241,476	\$ 533,721	\$ 22,921,289
Additions and Transfers-In	1,058,464	7,539	246,540	1,312,543
Deletions and Transfers-Out	(390,630)		(172,725)	(563,355)
Balance, June 30, 2001	21,813,926	1,249,015	607,536	23,670,477
Accumulated Depreciation	(7,469,608)	(418,543)		(7,888,151)
Net Property, Plant and Equipment	<u>\$ 14,344,318</u>	<u>\$ 830,472</u>	<u>\$ 607,536</u>	<u>\$ 15,782,326</u>
	2002			
	Water Fund	Sewer Fund	Construction in Progress	Total
Balance, June 30, 2001	\$ 21,813,926	\$ 1,249,015	\$ 607,536	\$ 23,670,477
Additions and Transfers-In	1,989,883	3,017	570,811	2,563,711
Deletions and Transfers-Out	(35,624)			(35,624)
Balance, June 30, 2002	23,768,185	1,252,032	1,178,347	26,198,564
Accumulated Depreciation	(8,149,141)	(449,169)		(8,598,310)
Net Property, Plant and Equipment	<u>\$ 15,619,044</u>	<u>\$ 802,863</u>	<u>\$ 1,178,347</u>	<u>\$ 17,600,254</u>

SAN LORENZO VALLEY WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS  
(Continued)

June 30, 2002 and 2001

4. LONG-TERM DEBT:

At June 30 long-term debt consisted of:

	<u>2002</u>	<u>2001</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:		
1999 Limited Obligation Improvement Refunding Bonds - used to refund and Redeem the North Boulder Creek Assessment District bonds	<u>\$1,110,000</u>	<u>\$1,170,000</u>
Total Special Assessment Bonds	<u>1,110,000</u>	<u>1,170,000</u>
California Special District Lease Financing bearing interest at 5.25 percent per annum with a maturity at March 1, 2012. Annual principal payments starting at \$10,000, increasing to \$15,000 at December 2002, \$20,000 at December 2008, \$25,000 at December 2011, plus semi-annual interest payments	<u>205,000</u>	<u>220,000</u>
Notes Payable:		
California Safe Drinking Water Loan bearing interest at 3.524 percent per annum with a maturity at October 1, 2020. Semi- annual payments of \$11,723 including principal and interest.	3,017,995	3,132,030
State Resources loan bearing interest at 3.4 percent per annum with a maturity at April 4, 2003. Annual payments of principal and interest totaling \$73,234.	71,208	139,693
California Safe Drinking Refunding loan bearing interest at 7.125 percent per annum with a maturity at June 1, 2022. Semi-annual payments of \$37,788 including principal and Interest.	<u>789,898</u>	<u>808,211</u>
Total Notes Payable	<u>3,879,101</u>	<u>4,079,934</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. Fluctuating payments of principal and interest with annual payments of approximately \$239,125.	<u>2,580,000</u>	<u>2,675,000</u>
Total Certificates of Participation Payable	<u>2,580,000</u>	<u>2,675,000</u>
Total Debt	7,774,101	8,144,934
Less: Current Portion	<u>378,966</u>	<u>369,517</u>
Total Long-Term Debt	<u>\$7,395,135</u>	<u>\$7,775,417</u>

SAN LORENZO VALLEY WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS  
(Continued)

June 30, 2002 and 2001

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4. LONG-TERM DEBT (Continued):

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

June 30, 2003	\$ 378,966
June 30, 2004	323,381
June 30, 2005	339,257
June 30, 2006	350,398
June 30, 2007	366,819
Thereafter	<u>6,015,280</u>
	<u>\$7,774,101</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 2001/2002 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, 2002 and 2001

5. EMPLOYEE BENEFITS (Continued):

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

Annual Pension Cost - For fiscal year 2001/2002, 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 2001/2002 was determined as part of the June 30, 2001 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</u> <u>Year</u> <u>Ending</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>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.

<b>Funded Status of the Plan</b>						
<u>Valuation</u> <u>Date</u>	<u>Entry Age</u> <u>Normal</u> <u>Accrued</u> <u>Liability</u>	<u>Actuarial</u> <u>Value</u> <u>of</u> <u>Assets</u>	<u>Unfunded</u> <u>Liability/</u> <u>(Excess</u> <u>Assets)</u>	<u>Funded</u> <u>Status</u>	<u>Annual</u> <u>Covered</u> <u>Payroll</u>	<u>UAAL</u> <u>As a</u> <u>% of</u> <u>Payroll</u>
6/30/99	\$2,784,545	\$4,466,431	\$(1,681,886)	160.4%	\$ 984,309	(170.9%)
6/30/00	3,239,018	4,971,623	(1,732,605)	153.5%	935,465	(185.2%)
6/30/01	3,574,513	5,186,445	(1,611,932)	145.1%	1,078,394	(149.5%)

SAN LORENZO VALLEY WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS  
(Continued)

June 30, 2002 and 2001

6. CASH AND INVESTMENTS/CREDIT RISK:

Cash on deposit as of June 30, 2002 and 2001 was reconciled to the balances reflected on the books.

These funds were on deposit in the following depositories:

	<u>2002</u>	<u>2001</u>
Petty Cash	\$ 200	\$ 200
Wells Fargo Bank - Checking	9,571	5,013
Liberty Bank - Checking	3,356	2,775
Liberty Bank - Savings	76,205	47,692
Cash in County Treasury	31,903	31,903
Cash with Fiscal Agent	25,500	25,500
Funds Invested - Local Agency Investment Fund (LAIF)	<u>9,993,214</u>	<u>8,565,371</u>
 Total	 10,139,949	 8,678,454
 Less Restricted Cash and Investments	 <u>2,532,796</u>	 <u>3,510,186</u>
 Current Portion	 <u>\$ 7,607,153</u>	 <u>\$5,168,268</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, 2002</u>		<u>June 30, 2001</u>	
	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Investment in State Investment Fund (LAIF)	<u>\$9,993,214</u>	<u>\$9,993,214</u>	<u>\$8,565,371</u>	<u>\$8,565,371</u>
 Total	 <u>\$9,993,214</u>	 <u>\$9,993,214</u>	 <u>\$8,565,371</u>	 <u>\$8,565,371</u>

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

SAN LORENZO VALLEY WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS  
(Continued)

June 30, 2002 and 2001

7. INTERFUND RECEIVABLES AND PAYABLES:

At June 30, 2001 the Sewer Fund was indebted to the Water Fund in the amount of \$15,834.

At June 30, 2002 the Sewer Fund was indebted to the Water Fund in the amount of \$9,366.

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>2001</u>	<u>Additions</u>	<u>2002</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
Equipment Replacement Reserve	70,000	\$ 20,000	90,000
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>\$4,978,898</u>	<u>\$ 20,000</u>	<u>\$4,998,898</u>

11. CASH AND CASH EQUIVALENTS:

For the purpose of the Statement of Cash Flows the District considers the investment in the state investment fund and all highly liquid investments 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, 2002 and 2001

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12. RISK MANAGEMENT:

The District is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

General Liability, Automotive Liability, Property Damage, and Errors and Omissions:

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.

Workers Compensation: Statutory - through State Compensation Insurance Fund.

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). The transaction was completed on October 18, 2000. As part of the transaction the District seller financed \$9,700,000 of the transaction. The terms of the promissory noted are as follows:

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SAN LORENZO VALLEY WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS  
(Continued)

June 30, 2002 and 2001

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13. WATERMAN GAP TRANSACTION (Continued):

	<u>2002</u>	<u>2001</u>
Note Receivable – Sempervirens Fund, Inc. of \$9,700,000, secured by a first deed of trust, due in annual installments of \$970,000 plus interest at the rate of 8.0 percent per annum.		
Balance as of June 30:	\$5,290,000	\$7,760,000

14. RESTATEMENT OF PRIOR YEAR:

During the fiscal year ended June 30, 2002, it was determined that interest income earned from the Sempervirens Fund, Inc. note receivable was misstated on the District's June 30, 2001 financial statements.

The June 30, 2001 financial statements have been restated to reflect an additional \$329,959 of interest income.

## SUPPLEMENTARY INFORMATION

SAN LORENZO VALLEY WATER DISTRICT

COMBINING BALANCE SHEET - WATER AND SEWER FUNDS

June 30, 2002

ASSETS

CURRENT ASSETS:	Enterprise Funds		Total
	Water Fund	Sewer Fund	
Cash and Investments	\$ 7,607,153		\$ 7,607,153
Receivables:			
Customer Accounts (Net of Allowance for Uncollectibles of \$3,252)	246,719		246,719
Interest Receivable	362,871		362,871
Other Receivables	31,431		31,431
Due From Other Funds	9,366		9,366
Inventory	142,684		142,684
Deposits	4,972		4,972
Note Receivable - Current Portion			0
Total Current Assets	<u>8,405,196</u>		<u>8,405,196</u>
RESTRICTED CASH:			
Proceeds Certificates of Participation	1,466,036		1,466,036
Cash and Investments with Fiscal Agent	57,403		57,403
Connection and Construction Deposits	164,102		164,102
Customer Deposits	270,348		270,348
Reserve Fund - Certificates of Participation	239,125		239,125
North Boulder Creek Assessments	190,076		190,076
Reserve Fund - Improvement Refunding Bonds	145,706		145,706
Total Restricted Cash	<u>2,532,796</u>		<u>2,532,796</u>
PROPERTY, PLANT AND EQUIPMENT:			
Land	1,084,844	\$ 28,213	1,113,057
Utility Plant	20,320,537	1,212,138	21,532,675
Building, Equipment, and Other Assets	<u>2,362,804</u>	<u>11,681</u>	<u>2,374,485</u>
Total Property, Plant and Equipment	23,768,185	1,252,032	25,020,217
Less: Accumulated Depreciation	<u>(8,149,141)</u>	<u>(449,169)</u>	<u>(8,598,310)</u>
	15,619,044	802,863	16,421,907
Construction in Progress	<u>1,174,539</u>	<u>3,808</u>	<u>1,178,347</u>
Total Property, Plant and Equipment (Net)	<u>16,793,583</u>	<u>806,671</u>	<u>17,600,254</u>
OTHER ASSETS:			
Deferred Charges	345,892		345,892
Note Receivable - Net of Current Portion	<u>5,290,000</u>		<u>5,290,000</u>
Total Other Assets	<u>5,635,892</u>		<u>5,635,892</u>
TOTAL ASSETS	<u>\$ 33,367,467</u>	<u>\$ 806,671</u>	<u>\$ 34,174,138</u>

See Independent Auditor's Report on Supplementary Information

SAN LORENZO VALLEY WATER DISTRICT

COMBINING BALANCE SHEET - WATER AND SEWER FUNDS  
(Continued)

June 30, 2002

LIABILITIES AND FUND EQUITY

CURRENT LIABILITIES:	Enterprise Funds		Total
	Water Fund	Sewer Fund	
Accounts Payable	\$ 171,165	\$ 38	\$ 171,203
Due to Other Funds		9,366	9,366
Accrued Expenses	837	39	876
Accrued Interest	61,990	641	62,631
Refunds Payable		2,777	2,777
Current Portion of Long-Term Debt	378,966		378,966
Connection and Construction Deposits	164,102		164,102
Customer Deposits	270,348		270,348
Accrued Vacation and Sick Leave	276,666	3,038	279,704
Total Current Liabilities	1,324,074	15,899	1,339,973
Long-Term Liabilities (Net of Current Portion):			
Special Assessment Bonds	1,110,000		1,110,000
California Special District Lease Financing	205,000		205,000
Notes Payable	3,879,101		3,879,101
Certificates of Participation	2,580,000		2,580,000
Less Current Portion	(378,966)		(378,966)
Total Long-Term Liabilities	7,395,135		7,395,135
Total Liabilities	8,719,209	15,899	8,735,108
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	4,997,038	1,860	4,998,898
Undesignated	16,136,291	654,865	16,791,156
Total Retained Earnings	22,177,870	689,371	22,867,241
Total Fund Equity	24,648,258	790,772	25,439,030
TOTAL LIABILITIES AND FUND EQUITY	\$ 33,367,467	\$ 806,671	\$ 34,174,138

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, 2002

	Water Fund	Sewer Fund	Total
OPERATING INCOME:			
Water Fees	\$ 2,766,625		\$ 2,766,625
Sewer Charges		\$ 44,520	44,520
Assessments	151,555		151,555
Property Taxes	317,998		317,998
Meter Sales	42,561		42,561
Charges and Penalties	32,410		32,410
Miscellaneous	22,725		22,725
Total Operating Income	<u>3,333,874</u>	<u>44,520</u>	<u>3,378,394</u>
OPERATING EXPENSES:			
Salaries and Benefits (Net of Capitalized)	1,527,290	5,115	1,532,405
Contractual and Professional Services	174,383	5,720	180,103
Amortization and Depreciation	730,798	30,494	761,292
Material and Supplies	103,996	1,431	105,427
Utilities and Telephone	327,508	6,238	333,746
Insurance	35,653	333	35,986
Vehicle and Equipment Maintenance	46,464	396	46,860
Building Maintenance	20,528	204	20,732
Collection Fees and Charges	3,044		3,044
Miscellaneous	26,181	13,120	39,301
Travel, Meals and Conferences	9,938		9,938
Auto Allowance	7,800		7,800
Office Expenses	41,614	301	41,915
Rentals and Permits	16,141	1,630	17,771
Total Operating Expenses	<u>3,071,338</u>	<u>64,982</u>	<u>3,136,320</u>
OPERATING INCOME (LOSS)	<u>262,536</u>	<u>(20,462)</u>	<u>242,074</u>
NON-OPERATING INCOME (EXPENSES):			
Interest Earned	786,965		786,965
Gain on Disposition of Assets	6,758		6,758
Interest Expense	(385,135)		(385,135)
Government Storm Funds	492,946		492,946
Total Non-Operating Income (Expenses)	<u>901,534</u>		<u>901,534</u>
NET INCOME (LOSS)	1,164,070	(20,462)	1,143,608
RETAINED EARNINGS AT BEGINNING OF YEAR, AS RESTATED	<u>21,013,800</u>	<u>709,833</u>	<u>21,723,633</u>
RETAINED EARNINGS AT END OF YEAR	<u>\$ 22,177,870</u>	<u>\$ 689,371</u>	<u>\$ 22,867,241</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, 2002

	Water Fund	Sewer Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Operating Income (Loss)	\$ 262,536	\$ (20,462)	\$ 242,074
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Provision for Amortization and Depreciation	730,798	30,494	761,292
(Increase) Decrease in Receivables	(9,103)		(9,103)
(Increase) Decrease in Restricted Cash	977,390		977,390
(Increase) Decrease in Inventory	(25,160)		(25,160)
(Increase) Decrease in Deposits	(2,032)		(2,032)
Increase (Decrease) in Accounts Payable	(93,932)	(67)	(93,999)
Increase (Decrease) in Other Liabilities	63,599	(222)	63,377
Increase (Decrease) in Refunds Payable		2,777	2,777
Interfund Receivable/Payable	6,468	(6,468)	-
Total Adjustments	1,648,028	26,514	1,674,542
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	1,910,564	6,052	1,916,616
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Acquisition of Capital Assets	(2,557,018)	(6,693)	(2,563,711)
Scheduled Payments of Principal	(370,833)		(370,833)
Payment of Interest	(385,991)	641	(385,350)
<b>NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES</b>	(3,313,842)	(6,052)	(3,319,894)
<b>CASH FLOWS FROM NON-OPERATING ACTIVITIES:</b>			
Proceeds Sale of Fixed Assets	13,782		13,782
Interest on Investments	865,435		865,435
Government Storm Funds	492,946		492,946
Payments on Notes Receivable	2,470,000		2,470,000
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	3,842,163		3,842,163
<b>NET INCREASE (DECREASE) IN CASH</b>	2,438,885	0	2,438,885
<b>CASH AND INVESTMENTS AT BEGINNING OF YEAR</b>	5,168,268	0	5,168,268
<b>CASH AND INVESTMENTS AT END OF YEAR</b>	\$ 7,607,153	\$ -	\$ 7,607,153

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, 2002

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<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>\$ 492,946</u>

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SAN LORENZO VALLEY WATER DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2002

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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 major program for the year ended June 30, 2002 was Federal Emergency Management Agency (FEMA) grant.

The Organization was not a low risk auditee.

No findings or questioned costs were disclosed during the audit.

Frank A. Minuti, Jr.  
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Lawrence S. Kuechler  
Roberto M. Maragoni  
Thomas C. Bondi  
Martha Sanford  
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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, 2002, and have issued our report thereon dated October 11, 2002. 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*

BERGER/LEWIS ACCOUNTANCY CORPORATION

Santa Cruz, California

October 11, 2002

Frank A. Minuti, Jr.  
Robert W. Smiley  
Lawrence S. Kuechler  
Roberto M. Maragoni  
Thomas C. Bondi  
Martha Sanford  
Suzanne Weber  
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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, 2002. 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, 2002.



#### 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.

A handwritten signature in blue ink that reads "Berger Lewis Accountancy Corporation". The script is cursive and fluid.

BERGER/LEWIS ACCOUNTANCY CORPORATION  
Santa Cruz, California  
October 11, 2002