

Silver Creek Valley Country Club Geologic Hazard Abatement District

AUDITED FINANCIAL STATEMENTS  
And Required Supplemental Information

For the Year ending June 30, 2013

## TABLE OF CONTENTS

Independent Auditor's Report	1
Management's Discussion and Analysis (Required Supplementary Information)	3
Basic Financial Statements	
Statement of Net Assets	6
Statement of Revenue, Expenses and Changes in Net Assets	7
Statement of Cash Flows	8
Notes to Basic Financial Statements	9
Required Supplementary Information (Other than MD&A)	
Schedule of Revenues and Expenses – Budget and Actual and Notes to Schedule of Revenues and Expenses – Budget and Actual	14
Report on Compliance and on Internal Control over Financial Reporting based on an Audit of Basic Financial Statements Performed in Accordance with Government Auditing Standards	15
Schedule of Findings and Questioned Costs, Current Year & Prior Year	16

INDEPENDENT AUDITOR'S OPINION

To the Board of Directors of Silver Creek Valley Country Club Geologic Hazard Abatement District:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Silver Creek Valley Country Club Geologic Hazard Abatement District (the District) as of, and for the year ending June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and remaining fund information of Silver Creek Valley Country Club Geologic Hazard Abatement District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis narrative and the schedule of revenues and expenses – budget and actual information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate financial, operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with accounting standards generally accepted in the United States of America, which consist of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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In accordance with Governmental Auditing Standards, we have also issued our report dated September 24, 2013 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Audit Standards in considering the District's internal control over financial reporting.

We have previously audited Silver Creek Valley Country Club Geologic Hazard Abatement District's June 30, 2012 financial statements and expressed an unmodified audit opinion on those audited financial statements in our report dated August 31, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012 is consistent, in all material respects, with the audited financial statements from which it has been obtained.



Deborah Daly, CPA  
Pleasanton, California  
September 24, 2013

Silver Creek Valley Country Club Geologic Hazard Abatement District  
Management's Discussion and Analysis  
Year Ended June 30, 2013

This section of the Silver Creek Valley Country Club Geologic Hazard Abatement District's (the District) annual financial report presents a discussion and analysis of the District's financial performance for the fiscal year ending June 30, 2013. The District's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

#### FINANCIAL HIGHLIGHTS

The District's assets exceeded the liabilities by \$3,460,614 (Total Net Assets) for the fiscal year reported. Of this amount, 100% (unrestricted net assets) may be used to meet ongoing obligations to citizens, creditors, and future operations. The District does not have any net assets invested in capital assets.

The District's net assets increased in the current year by \$200,566.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of government-wide financial statements, fund financial statements and notes to the basic financial statements.

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

In addition to the basic financial statements and the notes supporting the financial statements, this report also includes required supplemental information, management's discussion and analysis and a schedule of revenues and expenses – actual and budget for the same year ending, June 30, 2013.

#### GOVERNMENT FINANCIAL ANALYSIS

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. In the case of the District, assets exceed liabilities by \$3,460,614 at the close of the most recent fiscal year. All of the District's net assets are available for future spending as no amounts have been invested in capital equipment and the District has not incurred any debt.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as revenues pertaining to uncollected assessments or expenses pertaining to vendors who have been paid for unused supplies or services.

The District is principally supported by assessments and investment earnings. District governmental activities include preventing, mitigating, abating and controlling geologic hazards within the boundaries of the Silver Valley Country Club, all of which are funded from assessments collected by the District, pursuant to California Public Resources Code Section 26650, (the District Assessments).

Silver Creek Valley Country Club Geologic Hazard Abatement District  
Management's Discussion and Analysis  
Year Ended June 30, 2013

GOVERNMENT FINANCIAL ANALYSIS (Continued)

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$3,460,614 at the close of the most recent fiscal year.

Assets:	2013	2012	Inc/(Dec) %
Current	\$3,464,511	\$3,263,866	6.15%
Total Assets	\$3,464,511	\$3,263,866	6.15%
Liabilities & Net Assets:	2013	2012	Inc/(Dec) %
Current	\$3,897	\$3,818	2.07%
Net Assets	\$3,460,614	\$3,260,048	6.15%
Total Liabilities & Net Assets	\$3,464,511	\$3,263,866	6.15%

Analysis of Net Assets

The District's net assets reflect amounts available for future operations. At the close of the fiscal year, there was no debt outstanding related to the acquisition of capital assets or other obligations. For the year ended June 30, 2013, the District's net assets increased by \$200,566, thereby accounting for an overall increase of 6.15% to total net assets.

Revenues:	2013	2012	Inc/(Dec) %
District Assessments	\$274,916	\$261,833	5.00%
Investment Income	\$16,228	\$98,842	-83.58%
Total Revenues	\$291,144	\$360,675	-83.58%
Expenses:	2013	2012	Inc/(Dec) %
Services & Supplies	\$90,577	\$83,904	7.95%
Total Expenses	\$90,577	\$83,904	7.95%
Change in Net Assets:	2013	2012	Inc/(Dec) %
	\$200,567	\$276,771	-27.53%
Net Asset Activity	2013	2012	Inc/(Dec) %
Beginning Net Assets	\$3,260,048	\$2,983,277	9.28%
Change in Net Assets:	\$200,567	\$276,771	-27.53%
Ending Net Assets	\$3,460,615	\$3,260,048	6.15%

The key elements in the change of net assets, from the prior fiscal year to the current year, are as follows:

Total revenue decreased by \$69,531, primarily due to unrealized losses in invested assets. District assessments are up slightly year to year, which relates to increases in assessed rates within the District. Total operating expenses increased by \$6,673, primarily due to professional fees. Overall, revenue decreased and expenses increased in comparison to the previous year. Even though revenue is less than the prior year and expenses are more than the prior year, the District spent less than it received and as a result net assets increase year to year.

Silver Creek Valley Country Club Geologic Hazard Abatement District  
Management's Discussion and Analysis  
Year Ended June 30, 2013

#### BUDGETARY HIGHLIGHTS

There was no difference between the total original budget and the total final budget. Budget to actual comparisons reveal the following: revenues fell short of expectations by \$82,726, which was primarily due to unrealized losses in invested assets. Actual expenses were very close to budgetary estimates.

#### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The District's assessment revenues are fixed by State law and may not be altered except through the process allowed by State law. The number of parcels in the District's benefit assessment roll has remained fairly constant for many years. For the year ended June 30, 2013 the District assessed each single family dwelling \$183.23 per year, condominiums \$122.15 per year, and commercial properties \$.0366 per square foot, per year. The authorizing resolution for the District Assessments, Resolution 92-05, allows assessments to be increased in any fiscal year to reflect any increase in the Consumer Price Index over the prior fiscal year, limited to a 5% increase over the prior year assessed rates. The assessment rates for the year ended June 30, 2013 represent a 5% increase in comparison to the prior year ended. The increase in assessments along with existing reserves continue to appear sufficient for the near term to allow for moderate economic uncertainty, anticipated services and operating expenses.

#### RESPONSE TO JOURNAL ENTRIES AUDIT DISCREPANCIES:

Proposed audit adjustments mainly dealt with recognizing expenses in the period in which the District receives the benefit of the service or supply. The proposed adjustments include adjusting prepaid expenses for insurance expense and professional fees and adjusting accounts payable for professional fees due and payable. Management of the District agrees with the auditor's proposed adjustments for the year ending June 30, 2013.

#### REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Silver Creek Valley Country Club Geologic Hazard Abatement District, General Manager, 5655 Silver Creek Valley Road, Suite 454, San Jose, CA, 95138.

Silver Creek Valley Country Club Geologic Hazard Abatement District  
Statement of Net Assets  
June 30, 2013  
(with summarized comparative data as of June 30, 2012)

	<u>Governmental Activities 2013</u>	<u>Governmental Activities 2012</u>
<b>ASSETS</b>		
Cash in banks	\$559,787	\$397,687
Interest receivable		20,786
Prepaid expenses	2,773	747
<b>TOTAL CURRENT ASSETS</b>	<u>562,560</u>	<u>419,220</u>
Certificates of deposit	449,792	838,325
Investments in bonds	2,452,159	2,006,321
<b>TOTAL ASSETS</b>	<u><u>\$3,464,511</u></u>	<u><u>\$3,263,866</u></u>
 <b>LIABILITIES</b>		
Accounts payable	<u>\$3,897</u>	<u>\$3,818</u>
<b>TOTAL LIABILITIES</b>	<u>3,897</u>	<u>3,818</u>
 <b>NET ASSETS</b>		
Unrestricted	<u>3,460,614</u>	<u>3,260,048</u>
<b>TOTAL NET ASSETS</b>	<u>3,460,614</u>	<u>3,260,048</u>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<u><u>\$3,464,511</u></u>	<u><u>\$3,263,866</u></u>

The accompanying notes are an integral part of this financial statement.



Silver Creek Valley Country Club Geologic Hazard Abatement District  
Statement of Revenues, Expenses and Changes in Net Assets  
For the Year Ended June 30, 2013  
(with summarized comparative data for the year ended June 30, 2012)

	<u>Governmental Activities 2013</u>	<u>Governmental Activities 2012</u>
Operating Revenues		
Fees charged for services rendered	\$0	\$0
Total Operating Revenue	<u>0</u>	<u>0</u>
Operating Expenses		
General Manager Services	23,851	26,783
Geotechnical Services	23,258	20,158
Professional Services	7,842	21,294
Survey Services	21,196	
County Fees	3,205	4,720
Office Expense	2,462	632
Meetings & Conferences	469	100
Records retention	3,118	2,677
Dues and Publications	1,294	643
Public Education	816	3,925
Insurance	3,066	2,972
Total Operating Expenses	<u>90,577</u>	<u>83,904</u>
Operating Loss	(90,577)	(83,904)
Non-operating Revenues / (Expenses)		
District Assessments	274,916	261,833
Interest & investment income	16,228	98,842
Total Nonoperating Revenue / (Expenses)	<u>291,144</u>	<u>360,675</u>
Change in Net Assets	200,567	276,771
Net Assets, Beginning of Year:	<u>3,260,048</u>	<u>2,983,277</u>
Net Assets, End of Year:	<u><u>\$3,460,615</u></u>	<u><u>\$3,260,048</u></u>

The accompanying notes are an integral part of this financial statement.

Silver Creek Valley Country Club Geologic  
Statement of Cash Flows  
June 30, 2013  
(with summarized comparative data for the year ended June 30, 2012)

	<u>Governmental Activities 2013</u>	<u>Governmental Activities 2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase / (decrease) in net assets	\$200,567	\$276,771
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
(Increase) decrease in operating assets		
Interest receivable	20,786	(5,215)
Prepaid expenses	(2,026)	(16)
Increase (decrease) in operating liabilities		
Accounts payable	<u>79</u>	<u>(3,459)</u>
NET CASH PROVIDED / (USED) BY OPERATING ACTIVITIES	<u>219,406</u>	<u>268,081</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments, net of withdrawals	(445,838)	(324,894)
Purchases of Certificates of Deposits	<u>388,533</u>	<u>(830,000)</u>
NET CASH PROVIDED / (USED) BY INVESTING ACTIVITIES	<u>(57,305)</u>	<u>(1,154,894)</u>
BEGINNING CASH AND CASH EQUIVALENTS	<u>397,687</u>	<u>1,284,500</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$559,788</u>	<u>\$397,687</u>

The accompanying notes are an integral part of this financial statement.

Silver Creek Valley Country Club Geologic Hazard Abatement District  
 Balance Sheet - Governmental Funds  
 June 30, 2013  
 (with summarized comparative data as of June 30, 2012)

	<u>Governmental Activities 2013</u>	<u>Governmental Activities 2012</u>
<b>ASSETS</b>		
Cash in banks	\$559,787	\$397,687
Interest receivable		20,786
Prepaid expenses	<u>2,773</u>	<u>747</u>
<b>TOTAL ASSETS</b>	<u><u>\$562,560</u></u>	<u><u>\$419,220</u></u>
<b>LIABILITIES</b>		
Accounts payable	<u>\$3,897</u>	<u>\$3,818</u>
<b>TOTAL LIABILITIES</b>	<u>3,897</u>	<u>3,818</u>
<b>FUND BALANCE</b>		
Unreserved	<u>558,663</u>	<u>415,402</u>
<b>TOTAL FUND BALANCE</b>	<u>558,663</u>	<u>415,402</u>
<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>	<u><u>\$562,560</u></u>	<u><u>\$419,220</u></u>

Reconciliation to Statement of Net Assets:

Amounts reported for governmental activities in the Statement of Net Assets is different than amounts reported in the Balance Sheet because:

Long term assets are not available to pay for current expenditures, and therefore are deferred in the funds.

Certificats of deposit	\$449,792	\$838,325
Investments in bonds	<u>2,452,159</u>	<u>2,006,321</u>
	<u><u>\$3,464,511</u></u>	<u><u>\$3,263,866</u></u>

The accompanying notes are an integral part of this financial statement.

Silver Creek Valley Country Club Geologic Hazard Abatement District  
Statement of Revenues, Expenses and Changes in Fund Balance  
For the Year Ended June 30, 2013  
(with summarized comparative data for the year ended June 30, 2012)

	Governmental Activities 2013	Governmental Activities 2012
Revenues		
District Assessments	\$274,916	\$261,833
Interest & investment income	16,228	98,842
Total Operating Revenue	291,144	360,675
Expenses		
General Manager Services	23,851	26,783
Geotechnical Services	23,258	20,158
Professional Services	7,842	21,294
Survey Services	21,196	
County Fees	3,205	4,720
Office Expense	2,462	632
Meetings & Conferences	469	100
Records retention	3,118	2,677
Dues and Publications	1,294	643
Public Education	816	3,925
Insurance	3,066	2,972
Total Expenses	90,577	83,904
Interfund transfer of investment activity	(57,306)	
Change in Fund Balance	33,271	276,771
Fund Balance, Beginning of Year:	415,402	138,631
Fund Balance, End of Year:	\$448,673	\$415,402

Reconciliation of the Statement of Revenues, Expenses and Changes in Fund Balance of Governmental funds to the Statement of Activities is due to the following:

Amounts transferred into and withdrawn from Certificates of Deposits and Investments in Bonds:	(57,306)
	(57,306)

The accompanying notes are an integral part of this financial statement.

Silver Creek Valley Country Club Geologic Hazard Abatement District  
Notes to the Basic Financial Statements  
June 30, 2013

NOTE A – Reporting Entity

Silver Creek Valley Country Club Geologic Hazard Abatement District (the District) is a political subdivision of the State of California that was organized in conformity with Public Resources Code Section 26500. The District accumulates funds to be used to abate geological hazards arising with respect to lands surrounding the Silver Creek Valley Country Club and the adjacent housing development. The District is governed by a five-member Board of Directors elected by the voters of the District. The District's manager oversees the operations of the District, in accordance with policies adopted by the Board of Directors.

The District's basic financial statements include all operations for which the Board of Directors exercises oversight responsibility. These financial statements encompass all fiscal activities conducted by the District. Approximately eighty percent of the District's revenue is funded through District Assessments collected by the County of Santa Clara and the remaining is generated via investment income.

NOTE B - Summary of Significant Accounting Policies

New Accounting Pronouncements

For the year ended June 30, 2013, the District implemented Government Accounting Standards Board (GASB) Statement No. 63: Fund Balance Reporting and Governmental Fund Type Definitions. GASB 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The requirements of GASB 63 will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed.

Basis of Accounting and Financial Statement Presentation

The basic financial statements of the District comprise the following: Government-wide financial statements, Fund financial statements and Notes to the basic financial statements. In addition, the District follows all applicable GASB pronouncements as well as accounting standards and interpretations issued by the Financial Accounting Standards Board (FASB) issued on or after November 30, 1989, unless those pronouncements conflict or contradict with GASB pronouncements.

Government-wide Financial Statements

The statement of net assets and the statement of activities include the financial activities of the overall government. Eliminations would have been required for internal service fund activities for the District except that the District does not have internal service fund activities. The statement of activities presents a comparison between direct expenses and program revenues for each function of the governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financed, draws from the general revenues of the District. When both restricted and unrestricted net assets are available, restricted resources are used only after the unrestricted resources are depleted.

Fund Financial Statements

Fund financial statements are organized into funds, each of which is considered a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. The emphasis of fund financial statements is on major governmental funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The District has one fund, the general fund, which is categorized as a governmental fund.

Silver Creek Valley Country Club Geologic Hazard Abatement District  
Notes to the Basic Financial Statements  
June 30, 2013

#### Governmental Fund

The District reports one major governmental fund, the general fund, which is the primary operating fund of the District and is classified as the major fund. It is used to account for all revenues and expenditures necessary to carry out the basic governmental activities of the District. The District's basic governmental activity is geological hazard abatement for the surrounding lands of the Silver Creek Valley Country Club and the adjacent housing tract.

Reconciliations of the fund financial statements to the government-wide financial statements are provided to explain the differences created by the integrated approach.

#### Cash and Cash Equivalents

For the purpose of the statement of cash flows the District considers all cash in bank accounts and savings accounts with a maturity of three months or less to be cash equivalents. The carrying value of cash approximates fair value due to the short term nature of these financial instruments. Cash at June 30, 2013 consists of cash held in checking. The District does not hold cash at the County.

#### Prepaid Expenses

Prepaid expenses represent prepayments on directors and officers insurance and professional services.

#### Investments

Investments are recorded at fair market value as reported by the brokerage firm in the Statement of Net Assets. The District carries investments in equities and bonds with readily determinable fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

#### Accounts Payable

Accounts payable consist of amounts due to vendors for expenses incurred prior to the end of the fiscal year and paid after yearend.

#### Equity Classifications

The Board of Directors establishes, modifies or rescinds fund balance commitments and assignments by passage of an ordinance or resolution. This is done through adoption of the budget and subsequent budget amendments that occur during the year. Portions of unreserved fund balance may be designated to indicate tentative plans for financial resource utilization in a future period, such as for general contingencies or capital projects. Such plans or intent are subject to change and may not result in expenditures. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, followed by unrestricted, committed, assigned and unassigned resources as they are needed.

#### Fund Balance Policy

The District believes that sound financial management principles require that sufficient funds be retained by the District to provide a stable financial base at all times. To retain this stable financial base, the District needs to maintain an unrestricted fund balance in its funds sufficient to fund cash flows of the District and to provide financial reserves for unanticipated expenditures and, or revenue shortfalls of an emergency nature. Committed, assigned and unassigned fund balances are considered unrestricted. The purpose of the District's fund balance policy is to maintain a prudent level of financial resources to protect against reducing service levels, temporary revenue shortfalls and, or unpredicted one-time expenditures.

#### 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.

Silver Creek Valley Country Club Geologic Hazard Abatement District  
Notes to the Basic Financial Statements  
June 30, 2013

#### Classification of Revenue

The District has classified its revenues as either operating or non-operating revenue. Certain significant revenue streams relied upon for operations are recorded as non-operating revenues, as defined by GASB, including assessments and investment income. Revenue is classified as follows: Operating revenues have the characteristics of exchange transactions such as fees charged for services rendered, sales of auxiliary items and grants / contracts from awarding agencies. Non-operating revenues have the characteristics of non-exchange transactions such as donations, property taxes, assessments and investment income.

#### District Assessments

The District receives Assessments, which are levied each July 1, for all real property located within the District's boundaries. For property that is sold, District Assessments are prorated based on date of sale. For the year ended June 30, 2013 District Assessments are as follows: \$183.23 for each single family dwelling / parcel, \$122.15 for each condominium dwelling, and \$.0366 per square foot on commercial property located within the boundaries of the District. District Assessments are recognized as revenue in the fiscal year assessed to the property owner. Per District Resolution 92-05, Assessments may be increased to reflect an increase in the Consumer Price Index, limited to a 5% increase over the prior fiscal year assessment rates.

#### Subsequent Events

Management of the District has reviewed the results of operations for the period of time from its yearend, June 30, 2013, through September 24, 2013, the date the financial statements were available to be issued, and have determined that no adjustments are necessary to the amounts reported in the financial statements nor have any subsequent events occurred, the nature of which would require disclosure.

#### NOTE C – CASH AND INVESTMENTS

The deposit and investment risks of the District are required to be disclosed as follows: Deposits that are covered by depository insurance and are: a) uncollateralized, b) collateralized with securities held by the pledging financial institution, or c) collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor – government's name. All of the District's cash and investments fall under group b.

Cash deposits maintained by the broker are insured up to \$500,000 under Securities Investments Protection Insurance. Cash deposits in excess of SPIC insurance limits at June 30, 2013, are \$2,511,946. The District has not experienced any losses in such accounts. Management believes the District is not exposed to any significant credit risk related to cash. The District's investments are registered with the SEC.

The District holds some of its cash in certificates of deposits, which bear interest ranging from 2.15% to 5% and have maturities ranging from two months to thirty-three months, with penalties for early withdrawal. Any penalties incurred for early withdrawal would not have a material effect on the financial statements. Investments are stated at fair market value, as reported by the investment brokerage company.

At June 30, 2013 cash in checking is \$559,787, certificates of deposit are \$449,792, government securities are valued at \$1,539,094 and corporate bonds are valued at \$913,065.

For the year ended June 30, 2013 investment income is as follows: Interest and Dividends are \$74,007, unrealized losses are \$48,495 and investment fees are \$9,284. Net investment income reported is \$16,228.

#### NOTE D – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft, damage to assets, error and omissions, injuries to employees, and natural disasters. At June 30, 2013 there are no claims to be reported. The District carries directors and officer's liability insurance in equivalent amounts as the preceding year and there have been no settlements exceeding the insurance coverage.

Silver Creek Valley Country Club Geologic Hazard Abatement District  
Schedule of Revenue and Expenses - Budget and Actual  
For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Favorable (Unfavorable)
Budgetary Net Assets, Beginning	\$ 3,260,048	\$ 3,260,048	\$ 3,260,048	\$ -
Revenues				
District Assessments	274,924	274,924	274,916	(8)
Interest & investment income	98,945	98,945	16,228	(82,717)
Total Revenues	373,869	373,869	291,144	(82,725)
Expenses				
Services & supplies	93,786	93,786	90,577	3,209
Total Expenses	93,786	93,786	90,577	3,209
Budgetary Net Assets, Ending	\$ 3,540,131	\$ 3,540,131	\$ 3,460,615	\$ (79,516)

Explanations of Differences between Budgetary Inflows and Outflows and GAAP Revenue and Expenditures:

Sources/Inflows of Resources

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule \$ 373,869

Total Revenues as Reported on the Statement of Revenues, Expenses, and Changes in Net Assets \$ 291,144

Differences - budget to actual  
Decrease, predominately due to the change in investment earning \$ (82,725)

Uses/Outflows of Resources

Actual amounts (budgetary basis) "total changes to appropriations" from the budgetary comparison schedule \$ 93,786

Total Expenses as Reported on the Statement of Revenues, Expenses, and Changes in Net Assets \$ 90,577

Differences - budget to actual  
Decrease is mostly due to expenses related to program cost \$ (3,209)

Budgetary Basis of Accounting:

The District adopts a budget annually for all of its activities as prepared under the direction of the Treasurer, as approved by the Board of Directors. For the year ended June 30, 2013 the original budget did not change.



REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of  
Silver Creek Valley Country Club Geologic Hazard Abatement District:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Silver Creek Valley Country Club Geological Hazard Abatement District (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 24, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management of the District in a separate letter dated Sept.24, 2013.

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Pleasanton, California  
September 24, 2013

Silver Creek Valley Country Club Geologic Hazard Abatement District  
Schedule of Findings and Questioned Costs, Current Year & Prior Year  
For the Year Ending June 30, 2013

Part I

Summary of Auditor's Results

Financial Statements

Type of Auditor's report issued:	Unqualified
Internal control over financial reporting	
Material weaknesses identified?	No
Reportable conditions identified that are not considered material weaknesses?	No
Noncompliance material to financial statements noted?	No
Federal Awards	Not applicable

Part II

Financial Statement Findings and Questioned Costs, year ending June 30, 2013

Our audit of the accompanying basic financial statements of Silver Creek Valley Country Club Geologic Hazard Abatement District for the year ending June 30, 2013 disclosed no findings nor questioned costs.

Financial Statement Findings and Questioned Costs, year ending June 30, 2012

Our audit of the accompanying basic financial statements of Silver Creek Valley Country Club Geologic Hazard Abatement District for the year ending June 30, 2012 disclosed no findings nor questioned costs.