

Silver Creek Valley Country Club Geologic Hazard Abatement District

AUDITED FINANCIAL STATEMENTS
and Required Supplemental Information

For the Year ending June 30, 2014

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INDEPENDENT AUDITOR'S OPINION

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

Report on the Financial Statements

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, 2014, 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's Responsibility for the Financial Statements

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.

Auditor's Responsibility

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.

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 the aggregate fund information of Silver Creek Valley Country Club Geologic Hazard Abatement District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the general fund for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Silver Creek Valley Country Club Geologic Hazard Abatement District's June 30, 2013 financial statements and expressed an unmodified audit opinion on those audited financial statements in our report dated September 24, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 is consistent, in all material respects, with the audited financial statements from which it has been obtained.

Deborah Daly CPA

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Report on Other Legal and Regulatory Requirements

Accounting principles generally accepted in the United States of America require that 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 the 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.

In accordance with Governmental Auditing Standards, we have also issued our report dated September 8, 2014 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.



Deborah Daly, CPA
Pleasanton, California
September 8, 2014

Silver Creek Valley Country Club Geologic Hazard Abatement District
Management's Discussion and Analysis
Year Ended June 30, 2014

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, 2014. 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 its liabilities by \$3,701,301 (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 \$240,686.

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, 2014.

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 being 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 \$3,701,301 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, 2014

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 \$3,701,301 at the close of the most recent fiscal year.

Assets:	2014	2013	Inc/(Dec) %
Cash, CD's & Investments	\$3,702,381	\$3,464,511	6.87%
Total Assets	<u>\$3,702,381</u>	<u>\$3,464,511</u>	6.87%
Liabilities & Net Assets:	2014	2013	Inc/(Dec) %
Accounts Payable	\$1,080	\$3,897	-72.29%
Net Assets	\$3,701,301	\$3,460,614	6.96%
Total Liabilities & Net Assets	<u>\$3,702,381</u>	<u>\$3,464,511</u>	6.87%

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, 2014, the District's net assets increased by \$240,687, thereby accounting for an overall increase of 20% to total change in net assets.

Revenues:	2014	2013	Inc/(Dec) %
District Assessments	\$289,228	\$274,916	5.21%
Investment Income	\$27,851	\$16,228	71.62%
Total Revenues	<u>\$317,079</u>	<u>\$291,144</u>	71.62%
Expenses:	2014	2013	Inc/(Dec) %
Services & Supplies	\$76,392	\$90,577	-15.66%
Total Expenses	<u>\$76,392</u>	<u>\$90,577</u>	-15.66%
Change in Net Assets:	2014	2013	Inc/(Dec) %
	<u>\$240,687</u>	<u>\$200,567</u>	20.00%
Net Asset Activity	2014	2013	Inc/(Dec) %
Beginning Net Assets	\$3,460,614	\$3,260,048	6.15%
Change in Net Assets:	\$240,687	\$200,567	20.00%
Ending Net Assets	<u>\$3,701,301</u>	<u>\$3,460,615</u>	6.96%

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

Total revenue increased by \$25,935, primarily due to an increase in investment income and assessments are up slightly year to year, which relates to the increase in assessed rates. Total operating expenses decreased by \$14,185, primarily due to a decrease in program expenses. Overall, revenue increased and expenses decreased in comparison to the previous year. The District spent less than it received in the current year and as a such net assets increased year to year.

Silver Creek Valley Country Club Geologic Hazard Abatement District
Management's Discussion and Analysis
Year Ended June 30, 2014

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 \$50,933, which was primarily due to unrealized losses in invested assets and actual expenses came in under expectations by \$22,768 which was primarily due to less expense incurred on program activities.

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, 2014 the District assessed each single family dwelling \$192.39 per year, condominiums \$128.26 per year, and commercial properties \$.03832 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% ceiling over the prior year assessed rates. The assessment rates for the year ended June 30, 2014 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 included 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, 2014.

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, 2014
(with summarized comparative data as of June 30, 2013)

	<u>Governmental Activities 2014</u>	<u>Governmental Activities 2013</u>
ASSETS		
Cash in banks	\$494,961	\$559,787
Prepaid expenses	<u>2,871</u>	<u>2,773</u>
TOTAL CURRENT ASSETS	<u>497,832</u>	<u>562,560</u>
Certificates of deposit	251,102	449,792
Investments in bonds	<u>2,953,447</u>	<u>2,452,159</u>
TOTAL ASSETS	<u><u>\$3,702,381</u></u>	<u><u>\$3,464,511</u></u>
 LIABILITIES		
Accounts payable	<u>\$1,080</u>	<u>\$3,897</u>
TOTAL LIABILITIES	<u>1,080</u>	<u>3,897</u>
 NET ASSETS		
Unrestricted	<u>3,701,301</u>	<u>3,460,614</u>
TOTAL NET ASSETS	<u>3,701,301</u>	<u>3,460,614</u>
TOTAL LIABILITIES & NET ASSETS	<u><u>\$3,702,381</u></u>	<u><u>\$3,464,511</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, 2014
(with summarized comparative data for the year ended June 30, 2013)

	Governmental Activities 2014	Governmental Activities 2013
	<u>2014</u>	<u>2013</u>
Operating Revenues		
Fees charged for services rendered	\$0	\$0
	<u>0</u>	<u>0</u>
Total Operating Revenue	<u>0</u>	<u>0</u>
Operating Expenses		
General Manager Services	17,360	23,851
Geotechnical Services	34,918	23,258
Professional Services	4,000	7,842
Survey and Civil Engineering Services	4,360	21,196
County Fees	4,782	3,205
Office Expense	2,508	2,462
Meetings & Conferences	846	469
Records retention	3,227	3,118
Dues and Publications	1,330	1,294
Public Education	450	816
Insurance	2,611	3,066
	<u>76,392</u>	<u>90,577</u>
Total Operating Expenses	<u>76,392</u>	<u>90,577</u>
Operating Loss	(76,392)	(90,577)
Non-operating Revenues / (Expenses)		
District Assessments	289,228	274,916
Interest & investment income	27,851	16,228
	<u>317,079</u>	<u>291,144</u>
Total Nonoperating Revenue	<u>317,079</u>	<u>291,144</u>
Change in Net Assets	240,687	200,567
Net Assets, Beginning of Year:	<u>3,460,614</u>	<u>3,260,047</u>
Net Assets, End of Year:	<u><u>\$3,701,301</u></u>	<u><u>\$3,460,614</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, 2014
(with summarized comparative data for the year ended June 30, 2013)

	<u>Governmental Activities 2014</u>	<u>Governmental Activities 2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase / (decrease) in net assets	\$240,687	\$200,567
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Investment income re-invested, net of advisory fees	(76,528)	(64,723)
Unrealized changes in investment value	48,677	48,495
(Increase) decrease in operating assets		
Prepaid expenses	(98)	(2,026)
Increase (decrease) in operating liabilities		
Accounts payable	(2,817)	79
NET CASH PROVIDED / (USED) BY OPERATING ACTIVITIES	<u>209,921</u>	<u>182,392</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Government & corporate bonds, (purchases) / redemptions	(466,747)	(308,292)
Certificates of deposits, (purchases) / redemptions	192,000	288,000
NET CASH PROVIDED / (USED) BY INVESTING ACTIVITIES	<u>(274,747)</u>	<u>(20,292)</u>
NET INCREASE / (DECREASE) IN CASH & CASH EQUIVALENTS	<u>(64,826)</u>	<u>162,100</u>
BEGINNING CASH AND CASH EQUIVALENTS	<u>559,787</u>	<u>397,687</u>
ENDING CASH AND CASH EQUIVALENTS	<u><u>\$494,961</u></u>	<u><u>\$559,787</u></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, 2014
(with summarized comparative data as of June 30, 2013)

	<u>Governmental Activities 2014</u>	<u>Governmental Activities 2013</u>
ASSETS		
Cash in bank	\$494,961	\$559,787
Prepaid expenses	<u>2,871</u>	<u>2,773</u>
TOTAL ASSETS	<u><u>\$497,832</u></u>	<u><u>\$562,560</u></u>
 LIABILITIES		
Accounts payable	<u>\$1,080</u>	<u>\$3,897</u>
TOTAL LIABILITIES	<u>1,080</u>	<u>3,897</u>
 FUND BALANCE		
Unreserved	<u>496,752</u>	<u>558,663</u>
TOTAL FUND BALANCE	<u>496,752</u>	<u>558,663</u>
TOTAL LIABILITIES & FUND BALANCE	<u><u>\$497,832</u></u>	<u><u>\$562,560</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 from the governmental fund balance.

Certificats of deposit	\$251,102	\$449,792
Investments in bonds	<u>2,953,447</u>	<u>2,452,159</u>
Total	<u><u>\$3,204,549</u></u>	<u><u>\$2,901,951</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, 2014
(with summarized comparative data for the year ended June 30, 2013)

	<u>Governmental Activities 2014</u>	<u>Governmental Activities 2013</u>
Revenues		
District Assessments	\$289,228	\$274,916
Interest & investment income	<u>27,851</u>	<u>16,228</u>
Total Revenues	<u>317,079</u>	<u>291,144</u>
Expenses		
General Manager Services	17,360	23,851
Geotechnical Services	34,918	23,258
Professional Services	4,000	7,842
Survey and Civil Engineering Services	4,360	21,196
County Fees	4,782	3,205
Office Expense	2,508	2,462
Meetings & Conferences	846	469
Records retention	3,227	3,118
Dues and Publications	1,330	1,294
Public Education	450	816
Insurance	<u>2,611</u>	<u>3,066</u>
Total Expenses	<u>76,392</u>	<u>90,577</u>
Change in Fund Balance	<u>240,687</u>	<u>200,567</u>
Interfund transfer of investment account balances	<u>(61,911)</u>	<u>(57,306)</u>
Fund Balance, Beginning of Year:	<u>558,663</u>	<u>415,402</u>
Fund Balance, End of Year:	<u><u>\$496,752</u></u>	<u><u>\$558,663</u></u>
 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 out of Certificates of Deposits and Investments in Bonds into Operating Cash:	<u><u>(\$61,911)</u></u>	<u><u>(\$57,306)</u></u>

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, 2014

NOTE A – Reporting Entity

Silver Creek Valley Country Club Geologic Hazard Abatement District (the District) was formed in March 1992 by the City of San Jose as a political subdivision of the State of California in conformity with Public Resources Code Section 26500. The District accumulates funds to be used for the abatement of geological hazards arising within the surrounding lands of 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 ninety 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, 2014, the District was not affected by any new pronouncements issued by Government Accounting Standards Board (GASB). New pronouncements include: Statement No. 68 and Statement No. 71: Accounting for Pension Benefits, Statement No. 69: Disposals of Government Units, and Statement No. 70: Non-exchange Financial Guarantees.

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 for 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, 2014

Governmental Fund

The District reports one major governmental fund; general fund, which is the primary 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 regardless of maturity 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, 2014 consists of cash held in checking. The District does not hold cash at the County.

Prepaid Expenses

Prepaid expenses represent prepayments on general liability 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 government and corporate 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.

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 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 in case of an emergency. 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, 2014

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 levies assessments each year on July 1, for all real property located within the District's boundaries. For property that is sold, assessments are prorated based on date of sale. For the year ended June 30, 2014 assessment charges are as follows: \$192.39 for each single family dwelling / parcel, \$128.26 for each condominium dwelling, and \$.03832 per square foot on commercial property. 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% ceiling over the prior fiscal year assessed rates.

Subsequent Events

Management of the District has reviewed the results of operations for the period of time from its yearend, June 30, 2014, through September 8, 2014, 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 by the Securities Investments Protection Corporation. Cash deposits in excess of SIPC insurance limits at June 30, 2014, are \$1,107,045. 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 .49% to 2.36% and have maturities ranging from two months to twenty-one 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, 2014 cash in checking is \$494,967, certificates of deposit are \$251,102, government bonds are \$1,849,311, and corporate bonds are \$1,104,136. For the year ended June 30, 2014 investment income is as follows: Interest / dividends \$87,042, unrealized losses \$48,677, and investment fees \$10,515. Total investment income is \$27,851.

NOTE D – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft, damage to assets, errors and omissions, and natural disasters. At June 30, 2014 there are no claims to be reported. The District carries directors and officer's liability insurance and there have been no settlements exceeding the insurance deductible.

Silver Creek Valley Country Club Geologic Hazard Abatement District
Schedule of Revenue and Expenses - Budget and Actual
For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Favorable (Unfavorable)
Budgetary Net Assets, Beginning	\$ 3,460,614	\$ 3,460,614	\$ 3,460,614	\$ -
Revenues				
District Assessments	288,671	288,671	289,228	557
Investment Income	79,341	79,341	27,851	(51,490)
Total Revenues	368,012	368,012	317,079	(50,933)
Expenses				
Services & Supplies	99,160	99,160	76,392	22,768
Total Expenses	99,160	99,160	76,392	22,768
Budgetary Net Assets, Ending	\$ 3,729,466	\$ 3,729,466	\$ 3,701,301	\$ (28,165)

Explanations of differences between budgetary inflows and outflows and revenues / expenditures:

Sources / Inflows of Resources

Revenue amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 368,012
Revenue as reported on the Statement of Revenues, Expenses, and Changes	\$ 317,079

Differences - budget to actual

Decrease, primarily due to in investment earnings, actual under budget	\$ (50,933)
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Uses / Outflows of Resources

Expenditure amounts (budgetary basis) "total changes to appropriations" from the budgetary comparison schedule	\$ 99,160
Expenses as reported on the Statement of Revenues, Expenses, and Changes in Net Assets	\$ 76,392

Differences - budget to actual

Decrease primarily due to program costs, actual under budget	\$ (22,768)
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Budgetary Basis of Accounting:

The District adopts a budget annually for all of its activities as prepared under the direction of the Treasurer,

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, 2014, 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 8, 2014.

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 are required to report to management of the District in a separate written communication. These matters are described in our letter of Required Communications dated September 8, 2014.

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 8, 2014

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, 2014

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, 2014

Our audit of the accompanying basic financial statements of Silver Creek Valley Country Club Geologic Hazard Abatement District for the year ending June 30, 2014 disclosed no findings or questioned costs.

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 or questioned costs.