

Silver Creek Valley Country Club Geologic Hazard Abatement District

AUDITED FINANCIAL STATEMENTS

June 30, 2010

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Silver Creek Valley Country Club Geologic Hazard Abatement District (District) as of and for the year ending June 30, 2010, which collectively comprised the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District's management. 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 General of the United States and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose 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 audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Silver Creek Valley Country Club Geologic Hazard Abatement District as of June 30, 2010, and the respective changes in financial position for the fiscal year then ended 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 January 21, 2011 on our consideration of Silver Creek Valley Country Club Geologic Hazard Abatement 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.

The Management's Discussion and Analysis (MD&A) and the budgetary comparison schedule are not a required part of the basic financial statement but are supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the method of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.



Pleasanton, California  
January 21, 2011

Silver Creek Valley Country Club Geologic Hazard Abatement District  
Management's Discussion and Analysis  
Year Ended June 30, 2010

This section of the Silver Creek Valley Country Club Geologic Hazard Abatement District (the District) annual financial report presents a discussion and analysis of the District's financial performance for the fiscal year ending June 30, 2010. The District's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section.

## FINANCIAL HIGHLIGHTS

Assets of the District exceeded liabilities by \$2,809,862 (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 maintenance. The District does not have any net assets invested in capital assets.

The District's total net assets increased by \$222,278 during the fiscal year.

As of June 30, 2010, the District reported ending fund balance of \$2,809,862 which is unreserved fund balance available for spending at the District's discretion.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: (1) Government-wide financial statements, (2) Fund financial statements and (3) Notes to the basic financial statements. Required Supplementary Information is included in addition to the basic financial statements.

### Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

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 or not the financial position of the District is improving or deteriorating.

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 earned but unused supplies or services.

Both the government-wide financial statements and the statement of activities of the District are 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).

### Fund Financial Statements

The fund financial statements are designed to report information about groupings of related accounts which are used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories, government funds and investment earnings.

Governmental funds are used to account for the same functions reported as governmental activities in the government-wide financial statements; the District's basic services are reported in governmental funds. These statements, however, focus on (1) how cash and other financial assets can readily be converted to available resources and (2) the balances left at year-end that are available for spending. Such information may be useful in determining what financial resources are available in the near future to finance the District's programs.

Silver Creek Valley Country Club Geologic Hazard Abatement District  
Management's Discussion and Analysis  
Year Ended June 30, 2010

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's long-term financial decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains one governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be a major fund.

The District does not have any proprietary and fiduciary funds.

Notes to the Financial Statements

The notes to the financial statement provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

The required supplementary information is presented concerning the District budgetary comparison schedule. The District adopts annually, an appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget and to satisfy the requirement of the Governmental Accounting Standards Board.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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 \$2,809,862 at the close of the most recent fiscal year.

Assets:	2010	2009	Inc/(Dec) %
Current	\$ 2,809,883	\$ 2,587,605	7.91%
Total Assets	\$ 2,809,883	\$ 2,587,605	7.91%
Liabilities & Net Assets:	2010	2009	Inc/(Dec) %
Current	\$ 21	\$ 5,342	-25338.10%
Net Assets	\$ 2,809,862	\$ 2,582,263	8.10%
Total Liabilities & Net Assets	\$ 2,809,883	\$ 2,587,605	7.91%

Analysis of Net Assets

The District's net assets reflect amounts reserved 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. At the end of the current fiscal year, the District reported positive balances in both categories of net assets.

Governmental activities increased the District's net assets by \$227,559, thereby accounting for an increase of 8% of the total net assets of the District. The following table indicates the changes in net assets for governmental activities.

	2010	2009	Inc/(Dec) %
Change in Net Assets:	\$ 227,599	\$ 289,134	-27.04%

Silver Creek Valley Country Club Geologic Hazard Abatement District  
Management's Discussion and Analysis  
Year Ended June 30, 2010

Analysis of Net Assets (continued)

Revenues:	2010	2009	Inc/(Dec) %
District Assessments	\$ 249,215	\$ 249,245	-0.01%
Investment Income	\$ 94,900	\$ 143,286	-50.99%
Total Revenues	<u>\$ 344,115</u>	<u>\$ 392,531</u>	<u>-14.07%</u>
Expenses:	2010	2009	Inc/(Dec) %
Services & Supplies	\$ 116,516	\$ 103,397	11.26%
Total Expenses	<u>\$ 116,516</u>	<u>\$ 103,397</u>	<u>11.26%</u>
Change in Net Assets:	<u>\$ 227,599</u>	<u>\$ 289,134</u>	<u>-27.04%</u>
Net Asset Activity	2010	2009	Inc/(Dec) %
Beginning Net Assets	\$ 2,582,263	\$ 2,293,129	11.20%
Change in Net Assets:	\$ 227,599	\$ 289,134	-27.04%
Ending Net Assets	<u>\$ 2,809,862</u>	<u>\$ 2,582,263</u>	<u>8.10%</u>

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 \$48,416, primarily because the district experienced unrealized losses on investment balances. District assessment revenue is flat year to year, which is directly related to assessments remaining flat within the District. Total operating expenses increased by \$13,119, primarily because legal fees relating to projects were up. Overall, expenses increased and revenue decreased in comparison to the previous year which resulted in a decrease of 27% in the change in net assets from year to year.

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

Governmental Funds

The general government functions are contained in one General Fund. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and the remaining / resulting balance of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At June 30, 2010 the District's governmental funds reported combined ending fund balances of \$2,809,862, an increase of \$227,559 in comparison with the prior year. This is primarily due to revenue exceeding costs for the fiscal year. The General Fund is the only operating fund of the District. At June 30, 2010, the District's ending fund balance is unreserved.

Revenues for governmental activities totaled \$344,115 in year 2010, which represents a decrease of 14% from the prior fiscal year. Expenditures of governmental activities, totaled \$116,516, which represents an increase of 11% from the prior fiscal year. For the year ended June 30, 2010, revenues for governmental activities exceeded expenditures by \$227,559.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

During the year, actual revenues exceeded budgetary estimates by \$5,214, or 1.5%. This was due to increases in investment income. Actual expenditures fell short of budgetary estimates by \$680, or .5%.

Silver Creek Valley Country Club Geologic Hazard Abatement District  
Management's Discussion and Analysis  
Year Ended June 30, 2010

#### CAPITAL ASSETS

The District had no capital assets at June 30, 2010.

#### DEBT ADMINISTRATION

The District had no long-term debt at June 30, 2010.

#### 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, 2010 the District assessed each single family dwelling \$166.20 per year, condominiums \$110.80 per year, and commercial properties \$.0332 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 an increase of 5% over the prior year assessment rates. However, the assessment rates for the year ended June 30, 2010 remain unchanged in comparison to the prior fiscal year ended June 30, 2009. Little or no revenue increases along with existing reserves continue to appear sufficient for the near term to allow for moderate economic uncertainty, anticipated services and operating expenses.

#### 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.

#### RESPONSE TO JOURNAL ENTRIES AUDIT DISCREPANCIES:

There were no audit adjustments required by the auditor for the fiscal year ending June 30, 2010.

Silver Creek Valley Country Club Geologic Hazard Abatement District  
Statement of Net Assets  
June 30, 2010

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash in banks	\$ 1,700,128
Cash on hand	-
Interest receivable	19,643
Prepaid expenses and deposits	-
Investments	1,090,112
Capital assets, net of accumulated depreciation	-
<b>TOTAL ASSETS</b>	<u><u>\$ 2,809,883</u></u>
 <b>LIABILITIES</b>	
Accounts payable	\$ 21
Deferred revenue	-
Accrued compensation	-
<b>TOTAL LIABILITIES</b>	<u>21</u>
 <b>NET ASSETS</b>	
Invested in capital assets	-
Unrestricted	<u>2,809,862</u>
<b>TOTAL NET ASSETS</b>	<u>2,809,862</u>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<u><u>\$ 2,809,883</u></u>

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



Silver Creek Valley Country Club Geologic Hazard Abatement District  
Statement of Activities  
For the Year Ended June 30, 2010

	<u>Expenses</u>	<u>Net (Expenses) Revenues &amp; Changes in Net Assets</u>
		<u>Governmental Activities</u>
Expenses		
Government Activities		
Geotechnical / Hazard	\$ 116,516	\$ 116,516
Total Government Activities	<u>\$ 116,516</u>	<u>\$ 116,516</u>
General Revenues		
District Assessments		\$ 249,215
Interest & investment income		94,900
Miscellaneous		-
Total General Revenues		<u>\$ 344,115</u>
Change in Net Assets		\$ 227,599
Net Assets, beginning of year:		<u>\$ 2,582,263</u>
Net Assets, ending of year		<u>\$ 2,809,862</u>

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

Silver Creek Valley Country Club Geologic Hazard Abatement District  
 Governmental Funds - Balance Sheet  
 June 30, 2010

	<u>General Fund</u>
<b>ASSETS</b>	
Cash in banks	\$ 1,700,128
Cash on hand	-
Interest receivable	19,643
Investments	1,090,112
Prepaid expenses and deposits	-
<b>TOTAL ASSETS</b>	<b>\$ 2,809,883</b>
 <b>LIABILITIES</b>	
Accounts and warrants payable	\$ 21
Deferred revenue	-
Accrued compensation	-
<b>TOTAL LIABILITIES</b>	<b>21</b>
 <b>FUND BALANCE</b>	
Unreserved	2,809,862
<b>TOTAL FUND BALANCE</b>	<b>2,809,862</b>
<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>	<b>\$ 2,809,883</b>

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

Silver Creek Valley Country Club Geologic Hazard Abatement District  
 Reconciliation of the Governmental Funds Balance Sheet to the  
 Statement of Net Assets  
 For the year ended June 30, 2010

Fund Balance - Government Funds	\$ 2,809,862
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

Capital assets at historical cost	\$	-	
Accumulated depreciation	\$	-	
Net		-	\$ -

Net Assets of Governmental Activities	\$ 2,809,862
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The accompanying notes are an integral part of this financial statement.

Silver Creek Valley Country Club Geologic Hazard Abatement District  
Governmental Funds  
Statement of Revenues, Expenditures and Changes in  
Fund Balances  
For the Year Ended June 30, 2010

	General
Revenues	
District Assessments	\$ 249,215
Interest & investment income	94,900
Miscellaneous	-
Total revenues	344,115
Expenditures	
Salaries & benefits	-
Services & supplies	116,516
Capital expenditures	-
Total expenditures	116,516
Change in Fund Balance	227,599
Fund Balance, beginning of year:	2,582,263
Fund Balance, ending of year	\$ 2,809,862

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

Silver Creek Valley Country Club Geologic Hazard Abatement District  
 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and  
 Changes in Fund Balances to the Statement of Activities  
 For the year ended June 30, 2010

Net Change in Fund Balances - Governmental Funds	\$	227,599
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Plus: Capital expenditures	\$	-
Less: Current year depreciation expense	\$	-

Change in Net Assets of Governmental Activities	\$	<u>227,599</u>
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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, 2010

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 two thirds of the District's revenue is funded through District Assessments collected by the County of Santa Clara and the remaining third is generated via investment income.

NOTE B - Summary of Significant Accounting Policies

Financial Statement Presentation

The District complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the District the option of electing to apply FASB pronouncements issued after November 30, 1989. This option does not apply for the District since it has no enterprise funds. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of these footnotes. The District implemented the new reporting model standards beginning July 1, 2003. Comparability with reports of previous years will be affected.

Basis of Presentation

Government wide Financial Statements

The statement of net assets and statement of activities display information about the District. These statements include the financial activities of the overall government, except for fiduciary activities. The District does not have fiduciary activities. Eliminations would have been made to minimize the double counting of internal services fund activities for the District but the District has no internal service fund activities. Taxes and fees for such services normally support governmental 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 are therefore clearly identifiable to a particular function. Program revenues would include charges paid by the recipients of goods or services offered by the programs. Revenues that are not classified as program revenues, including District Assessments, are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or 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.

Silver Creek Valley Country Club Geologic Hazard Abatement District  
Notes to the Basic Financial Statements  
June 30, 2010

## Fund Financial Statements

Fund financial statements are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into one major category: governmental. The emphasis of fund financial statements is on major governmental and enterprise 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. There are no proprietary or fiduciary funds.

## Governmental Funds

The District reports one major governmental fund: The General Fund is the primary operating fund of the District and is always classified as a major fund. It is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the District that are not accounted for through other funds. For the District, the General Fund's primary activity is geological hazard abatement. The District does not have any non-major governmental funds.

## Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

The government wide and proprietary fund financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation, with brief explanations, to identify the relationship between the government wide statements and the statements for governmental funds. The accounting objectives of the economic resources and measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities, whether current or non-current, associated with their activities are reported. Fund equity is classified as net assets.

Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time the associated economic asset is used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchanges, and exchange like transactions, are recognized when the exchange takes place. Non-exchange transactions in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange include District Assessments. On an accrual basis, District Assessments are recognized as revenue in the fiscal year the assessments are levied.

The governmental fund financial statements are prepared using the modified accrual basis of accounting. The governmental fund financial statements generally only include current financial assets and current financial liabilities on the balance sheet. The operating statements present sources and uses of available spendable resources during a given period. The fund balance is the result of the available sources and uses of available spendable resources at the end of the period. Under the modified accrual basis of accounting, revenues are recognized when measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after yearend. Expenditures (including capital outlay) are recorded when the related benefit is received and the liability has become due.

## Investments

Investments are recorded at fair market value as reported by the brokerage firm in the government-wide financial statements. The Organization 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.

Silver Creek Valley Country Club Geologic Hazard Abatement District  
Notes to the Basic Financial Statements  
June 30, 2010

### Equity Classifications

In government-wide and proprietary fund financial statements, equity is classified as net assets and divided into three components: Investment in Capital Assets – this category groups all capital assets into one component of net assets. For the year ending June 30, 2010 the District did not have any investments in capital assets. Restricted Net Assets – this category presents external restrictions imposed by grantors of other governments or restrictions imposed by law through constitutional provisions or enabling legislation. For the year ending June 30, 2010 the District did not have any restricted net assets. Unrestricted Net Assets – this category represents net assets of the District, not restricted for any project or other purpose.

In the governmental fund financial statements, equity is classified as fund balance. Reservations and designations segregate portions of fund balance that are either not available or have been earmarked or specific purposes. The various reservations and designations are established by actions of the Board and management and can be increased, reduced or eliminated by similar actions.

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 have not been legally authorized or may not result in expenditures.

### District Assessments

The District receives District 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, 2010 District Assessments are as follows: \$166.20 for each single family dwelling / parcel, \$110.80 for each condominium dwelling, and \$.0332 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.

### 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.

### 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. The 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, 2010, are \$2,290,240. 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 .3% up to 5.25% and have maturities ranging from three and one half months to fourteen years six months, with penalties for early withdrawal. Any penalties 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.



Silver Creek Valley Country Club Geologic Hazard Abatement District  
Notes to the Basic Financial Statements  
June 30, 2010

NOTE C – CASH AND INVESTMENTS (continued)

Cash and investments at June 30, 2010 consist of the following:

	<u>Fair Market Value</u>
Cash in banks	\$ 261,145
Certificates of Deposits	<u>\$ 1,420,025</u>
Total Cash	<u>\$ 1,681,170</u>
Mortgage Backed Securities	\$ 609,885
Government Bonds	<u>\$ 499,185</u>
Total Investments	<u>\$ 1,109,070</u>

For the year ended June 30, 2010 investment income is reported net of related expenses, as follows:

Interest & Dividends	\$ 33,743
Unrealized Changes in Value	<u>\$ (56,061)</u>
Total	<u>\$ (22,318)</u>

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, 2010 there are no claims to be reported.

Silver Creek Valley Country Club Geologic Hazard Abatement District  
General Fund  
Combined Statement of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual  
For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Favorable (Unfavorable)
Budgetary Fund Balances, Beginning	\$ 2,582,263	\$ 2,582,263	\$ 2,582,263	\$ -
Resources (Inflows)				
District Assessments	246,723	246,723	249,215	2,492
Interest & investment income	92,178	92,178	94,900	2,722
Other revenue		-	-	-
Amounts Available for Appropriation	<u>338,901</u>	<u>338,901</u>	<u>344,115</u>	<u>5,214</u>
Changes to appropriations (outflows)				
Salaries & benefits		-	-	-
Services & supplies	117,196	117,196	116,516	680
Capital expenditures		-	-	-
Total Changes to Appropriations	<u>117,196</u>	<u>117,196</u>	<u>116,516</u>	<u>680</u>
Budgetary Fund Balances, Ending	<u>\$ 2,803,968</u>	<u>\$ 2,803,968</u>	<u>\$ 2,809,862</u>	<u>\$ 5,894</u>

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 \$ 338,901

Differences - budget to actual

Increase is mostly due to an increase in investment earnings \$ 5,214

Total Revenues as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund \$ 344,115

Uses/Outflows of Resources

Actual amounts (budgetary basis) "total changes to appropriations" from the budgetary comparison schedule \$ 117,196

Differences - budget to actual

Increase is mostly due to expenses related to program costs \$ (680)

Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund \$ 116,516

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

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

We have audited the basis financial statements of Silver Creek Valley Country Club Geologic Hazard Abatement District as of and for the year ended June 30, 2010, and have issued our report thereon dated January 21, 2011. 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 General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Silver Creek Valley Country Club Geologic Hazard Abatement District's internal control over financial reporting as a basis for designing our auditing procedures 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 Silver Creek Valley Country Club Geologic Hazard Abatement District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the district's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Silver Creek Valley Country Club Geologic Hazard Abatement District's financial statements are free of material misstatement, we performed tests of its 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 no 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 Silver Creek Valley Country Club Geologic Hazard Abatement District as Finding 1 and Finding 2 in the findings and questioned costs section of this report.

This report is intended solely for the information and use of management, others within the entity, the Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Pleasanton, California  
January 21, 2011

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, 2010

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?	Yes
Noncompliance material to financial statements noted?	No
Federal Awards	Not applicable

Part II

Financial Statement Findings and Questioned Costs, year ending June 30, 2010

Our audit of the accompanying basic financial statements of Silver Creek Valley Country Club Geologic Hazard Abatement District for the year ending June 30, 2010 disclosed the following findings.

Finding 1

During our review of expenditures we noted the District does not carry Liability or Board Officer's insurance. In order to ensure the safety of the District's assets we recommend management obtain adequate insurance. This is a continued finding from the prior year and we determine the board has purchased insurance effective December 2010.

Finding 2

During our review of expenditures we noted the District did not have a signed independent contractor agreement with the District's operating manager. In order to ensure the safety of the District's assets we recommend management review contracts and agreements annually and document their approval in writing. This is a continued finding from the prior year and we determined the board has signed an independent contractor agreement with the new general manager in December 2010.

Our report on Silver Creek Valley Country Club Geologic Hazard Abatement District's compliance on internal control over financial reporting based on an audit of the basic financial statements performed in accordance with *Government Auditing Standards*, for the year ending June 30, 2010, disclosed no findings nor questioned costs.

Federal Awards Findings and Questioned Costs:

Silver Creek Valley Country Club Geologic Hazard Abatement District has no federal programs as of and for the year ending June 30, 2010.

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, 2010

Part III

Financial Statement Findings and Questioned Costs, June 30, 2009

Finding 1

During our review of expenditures we noted the District does not carry Liability or Board Officer's insurance. In order to ensure the safety of the District's assets we recommend management obtain adequate insurance.

Results:

Management is in agreement with finding and is in the process of securing bids from various insurance companies.

Finding 2

During our review of expenditures we noted the District did not have a signed independent contractor agreement with the District's operating manager. In order to ensure the safety of the District's assets we recommend management review contracts and agreements annually and document their approval.

Results:

Management is in agreement with finding and has signed an independent contractor agreement with the new general manager in December 2010.

Federal Awards Findings and Questioned Costs

Silver Creek Valley Country Club Geologic Hazard Abatement District has no federal programs as of and for the year ending June 30, 2009.