

Silver Creek Valley Country Club Geologic Hazard Abatement District

AUDITED FINANCIAL STATEMENTS  
And Required Supplemental Information

For the Year ending June 30, 2011

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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 Silver Creek Valley Country Club Geologic Hazard Abatement District (the District) as of, and for the year ending June 30, 2011, 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 Silver Creek Valley Country Club Geologic Hazard Abatement District as of June 30, 2011, and the respective changes in financial position and cash flows, thereof, for the 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 December 7, 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 auditing standards generally accepted in the United States of America, which consisted of inquiries with 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.



Pleasanton, California  
December 7, 2011

Silver Creek Valley Country Club Geologic Hazard Abatement District  
Management's Discussion and Analysis  
Year Ended June 30, 2011

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, 2011. 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 \$2,983,277 (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 \$173,416.

#### 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 is a special purpose government engaged in only a business type activity. As such, its financial statements consist of only those required for enterprise funds 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 includes required supplemental information, a schedule of revenues and expenses – actual and budget for the same year ending, June 30, 2011.

#### 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 \$2,983,277 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 earned but 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, 2011

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 \$2,983,277 at the close of the most recent fiscal year.

Assets:	2011	2010	Inc/(Dec) %
Current Assets	\$ 2,990,554	\$ 2,809,883	6.04%
Total Assets	<u>\$ 2,990,554</u>	<u>\$ 2,809,883</u>	<u>6.04%</u>
Liabilities & Net Assets:	2011	2010	Inc/(Dec) %
Current Liabilities	\$ 7,277	\$ 21	99.71%
Net Assets	\$ 2,983,277	\$ 2,809,862	5.81%
Total Liabilities & Net Assets	<u>\$ 2,990,554</u>	<u>\$ 2,809,883</u>	<u>6.04%</u>

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. At the end of the current fiscal year, the District reported positive net assets.

For the year ended June 30, 2011, the District's net assets changed by \$173,416, thereby accounting for an increase of 6% to total net assets of the District.

Revenues:	2011	2010	Inc/(Dec) %
District Assessments	\$ 247,028	\$ 249,215	-0.89%
Investment Income	\$ 57,874	\$ 94,900	-63.98%
Total Revenues	<u>\$ 304,902</u>	<u>\$ 344,115</u>	<u>-12.86%</u>
Expenses:	2011	2010	Inc/(Dec) %
Services & Supplies	\$ 131,486	\$ 124,940	4.98%
Total Expenses	<u>\$ 131,486</u>	<u>\$ 124,940</u>	<u>4.98%</u>
Change in Net Assets:	2011	2010	Inc/(Dec) %
	<u>\$ 173,416</u>	<u>\$ 219,175</u>	<u>-26.39%</u>
Net Asset Activity	2011	2010	Inc/(Dec) %
Beginning Net Assets	\$ 2,809,861	\$ 2,582,262	8.10%
Change in Net Assets:	\$ 173,416	\$ 227,599	-31.24%
Ending Net Assets	<u>\$ 2,983,277</u>	<u>\$ 2,809,861</u>	<u>5.81%</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 \$39,213, primarily because the district experienced unrealized losses on investment balances. District assessment revenue is flat year to year, which relates to assessments remaining flat within the District. Total operating expenses increased by \$6,546, 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 31% in the change in net assets from year to year.

Silver Creek Valley Country Club Geologic Hazard Abatement District  
Management's Discussion and Analysis  
Year Ended June 30, 2011

#### BUDGETARY HIGHLIGHTS

There was no difference between the total original budget and the total final budget. Overall, revenues fell short of budget expectations by \$26,277. This was primarily due to unrealized losses incurred on investment balances. Actual expenses fell short of budgetary estimates by \$1,820.

#### 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, 2011 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 a 5% increase over the prior year assessed rates. The assessment rates for the year ended June 30, 2011 remained unchanged in comparison to the prior year ended June 30, 2010. 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.

#### RESPONSE TO JOURNAL ENTRIES AUDIT DISCREPANCIES:

Proposed audit adjustments mainly centered around recognizing transactions in the proper period incurred, as defined by accounting principles generally accepted in the United States of America. These transactions related to accruals of interest receivable on investments, accruals of expenses incurred prior to the end of the year and paid after year end, and reclassifying miscellaneous expenses into their natural category. Management of the District agrees with the auditor's proposed adjustments for the year ending June 30, 2011.

#### 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, 2011

ASSETS

Cash in banks	\$2,122,825
Interest receivable	15,571
Prepaid expenses and deposits	731
Investments	<u>851,427</u>
TOTAL ASSETS	<u><u>\$2,990,554</u></u>

LIABILITIES

Accounts payable	<u>\$7,277</u>
TOTAL LIABILITIES	<u>7,277</u>

NET ASSETS

Unrestricted	<u>2,983,277</u>
TOTAL NET ASSETS	<u>2,983,277</u>
TOTAL LIABILITIES & NET ASSETS	<u><u>\$2,990,554</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, 2011

	General
Operating Revenues	
Fees charged for services rendered	\$0
Total Operating Revenue	0
Operating Expenses	
General Manager Services	38,488
Geotechnical Services	21,590
Other Professional Services	1,909
Legal Services	47,566
Financial Services	16,660
County Fees	385
Office Expense	141
Meetings & Conferences	648
Telephone / Internet	1,759
Dues and Publications	632
Insurance	1,707
Total Operating Expenses	131,486
Operating Loss	(131,486)
Non-operating Revenues (Expenses)	
District Assessments	247,028
Interest & investment income	57,874
Total Nonoperating Revenue (Expenses)	304,902
Change in Net Assets	173,416
Net Assets, Beginning of Year:	2,809,861
Net Assets, End of Year:	\$2,983,277

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



Silver Creek Valley Country Club Geologic  
Statement of Cash Flows  
June 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES

Increase / (decrease) in net assets	\$173,416
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Dividends and interest earned, re-invested	(85,380)
Unrealized changes in investments	27,506
(Increase) decrease in operating assets	
Interest receivable	4,072
Prepaid expenses	(731)
Increase (decrease) in operating liabilities	
Accounts payable	<u>7,256</u>
NET CASH PROVIDED / (USED) BY OPERATING ACTIVITIES	<u>126,139</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Distributions of investments	<u>296,558</u>
NET CASH PROVIDED / (USED) BY INVESTING ACTIVITIES	<u>296,558</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, 2011

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

Basis of Accounting and Financial Statement Presentation

The District is a special purpose government engaged only in a business type activity. As such, its financial statements consist of only those required for enterprise funds and notes to the financial statements. The financial statements are prepared on the accrual basis of accounting. Under this method of accounting, expenses are recorded as incurred and revenue is recorded when earned.

In addition, the District follows all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as the accounting standards and interpretations issued by the Financial Accounting Standards Board issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Cash and Cash Equivalents

For the purpose of the statement of cash flows the District considers all highly liquid assets including cash in checking accounts, savings accounts, and certificates of deposits 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.

Interest Receivable

Interest receivable represents interest due on investments in bonds and mortgage backed securities and is considered current. All receivables are evaluated for collectability and an allowance for uncollectible amounts is recorded, if deemed necessary.

Prepaid Expenses

Prepaid expenses represent prepayments on directors and officers' liability insurance.

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.

Silver Creek Valley Country Club Geologic Hazard Abatement District  
Notes to the Basic Financial Statements  
June 30, 2011

### Equity Classifications

Equity is classified as net assets and is 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, 2011 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, 2011 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.

### 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. Nearly all of the District's expenses result from exchange type transactions. Revenue and expenses are 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 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, 2011 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.

### Subsequent Events

Management of the District has reviewed the results of operations for the period of time from its yearend, June 30, 2011, through December 7, 2011, 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. 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, 2011, are \$805,895. 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.

Silver Creek Valley Country Club Geologic Hazard Abatement District  
Notes to the Basic Financial Statements  
June 30, 2011

NOTE C – CASH AND INVESTMENTS (continued)

The District holds some of its cash in certificates of deposits, which bear interest ranging from .55% up to 5.00% and have maturities ranging from two months up to eleven years eight 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.

Cash and investments at June 30, 2011 consist of the following:

	<u>Fair Market Value</u>
Cash in banks	\$ 454,468
Certificates of Deposits	\$ 1,668,357
Total Cash	\$ 2,122,825
Mortgage Backed Securities	\$ 601,711
Government Bonds	\$ 249,716
Total Investments	\$ 851,427

For the year ended June 30, 2011 investment income is reported net of related expenses, as follows:

Interest & Dividends	\$ 85,380
Unrealized Changes in Value	\$ (27,506)
Total	\$ 57,874

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, 2011 there are no claims to be reported. The District carries director's and officers' liability insurance.

Silver Creek Valley Country Club Geologic Hazard Abatement District  
Schedule of Revenue and Expenses - Budget and Actual  
For the Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Budgetary Net Assets, Beginning	\$2,809,861	\$2,809,861	\$2,809,861	\$ -
Revenues				
District Assessments	246,722	246,722	247,028	306
Interest & investment income	84,457	84,457	57,874	(26,583)
Total Revenues	<u>331,179</u>	<u>331,179</u>	<u>304,902</u>	<u>(26,277)</u>
Expenses				
Services & supplies	133,306	133,306	131,486	1,820
Total Expenses	<u>133,306</u>	<u>133,306</u>	<u>131,486</u>	<u>1,820</u>
Budgetary Fund Balances, Ending	<u>\$3,007,734</u>	<u>\$3,007,734</u>	<u>\$2,983,277</u>	<u>\$ (24,457)</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 \$ 331,179

Total Revenues as Reported on the Statement of Revenues, Expenses, and Changes in Net Assets \$ 304,902

Differences - budget to actual  
Decrease, predominately due to the change in investment earnings \$ (26,277)

Uses/Outflows of Resources

Actual amounts (budgetary basis) "total changes to appropriations" from the budgetary comparison schedule \$ 133,306

Total Expenses as Reported on the Statement of Revenues, Expenses, and Changes in Net Assets \$ 131,486

Differences - budget to actual  
Decrease is mostly due to expenses related to program costs \$ (1,820)

Silver Creek Valley Country Club Geologic Hazard Abatement District  
Notes to Schedule of Revenue and Expenses – Budget and Actual  
June 30, 2011

Budgetary Basis of Accounting

The District adopts an annual budget for all of its activities as prepared under the direction of the Treasurer and is approved by the Board of Directors. For the year ending June 30, 2011 the original budget did not change.

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, 2011, and have issued our report thereon dated December 7, 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 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 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.

Our consideration of internal control over financial reporting 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. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described above in the accompanying schedule of findings and questioned costs.

We noted certain matters that we reported to management of Silver Creek Valley Country Club Geologic Hazard Abatement District in a separate letter dated December 7, 2011.

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  
December 7, 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, 2011

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, 2011

Our audit of the accompanying basic financial statements of Silver Creek Valley Country Club Geologic Hazard Abatement District for the year ending June 30, 2011 disclosed no findings nor questioned costs.

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 no findings nor questioned costs.



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## **Management Letter**

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

In planning and performing our audit of the financial statements of Silver Creek Valley Country Club Geologic Hazard Abatement District for the year ended June 30, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the 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 organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

However, during our audit we became aware of two matters, described below, that are an opportunity for strengthening internal controls and operating efficiency. We previously reported on the District's internal control in our letter dated December 7, 2011. This letter does not affect our report dated December 7, 2011, on the financial statements of Silver Creek Valley Country Club Geologic Hazard Abatement District.

We will review the status of these comments during our next audit engagement. We have already discussed these comments with management, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

### **Management Time Records:**

During our tests of management expenses we traced various invoices back to source documentation and found that the time records used to accumulate information on how the Managing Director spent time on various projects was not maintained. In order to ensure the accuracy of time billed we recommend the Managing Director maintain all time records as evidence of hours billed. In addition, we recommend each month the Managing Director's time record be reviewed and approved to ensure accuracy and appropriateness prior to payment of such services.

### **Segregation of Duties:**

During our review of the District's internal control environment as it relates to cash disbursement processing, we noted the Managing Director has the authority to sign checks. Although each check, greater than \$250, requires two signatures, the bank is not required to honor multiple signatures on checks; therefore, we recommend the Managing Director be taken off the check signing card at the bank.

We wish to thank management for their support and assistance during our audit. This report is intended solely for the information and use of the Board of Directors, management, and others within the District and is not intended to be and should not be used by anyone other than these specified parties.



Deborah Daly, CPA  
Pleasanton, CA  
December 7, 2011