

REGULAR BOARD MEETING AGENDA
July 15, 2014 2:00 PM
Saddle Creek Lodge, Members Lounge
1001 Saddle Creek Drive, Copperopolis, CA

1. CALL TO ORDER
2. ROLL CALL
3. PLEDGE OF ALLEGIANCE
4. CHANGES TO ORDER OF AGENDA

5. PUBLIC COMMENT (Each speaker is limited to two (2) minutes)
Members of the public appreciated for taking the time to attend this meeting and provide comments on matters of District business. Any member of the public may address the Board relating to any matter within the Board's jurisdiction. This need not be related to any item on the agenda; however, the Board cannot act on an item unless it was noticed on the agenda.

6. CONSENT CALENDAR
Consent Calendar items are considered routine and will be acted upon by one motion. There will be no separate discussion on these items unless a member of the Board, Staff or a member of the Public requests specific items be set aside for separate discussion.
 - a. Approval of General Manager services contract – Kampa Community Solutions, LLC
 - b. Review of monthly financial report and approval of bills and claims for the month of June 2014.
 - c. Approval of the minutes of the Regular Board Meeting of June 17, 2014

7. OLD BUSINESS
 - a. Update report by District staff on Calaveras County Water District CCWD Mandatory Phase 3 Water Conservation
 - b. Final report and abolishment of the Interim District Management and General Manager Search Committees

8. NEW BUSINESS
 - a. Review/Discussion of the 2013 independent Audit Report prepared by Larry Bain, CPA; who will be in attendance at the August meeting for clarification and questions.
 - b. Discussion/Action regarding amendment to the District's Conflict of Interest Code pursuant to California Government Code Section 83700 et seq.
 - c. Discussion/Action regarding the process and schedule for establishment of District priorities and supporting management objectives for the General Manager
 - d. Discussion/Action regarding waiver of compensation due to directors for attendance at the special meetings of May 13, 2014 and June 17 and 20, 2014

9. STAFF REPORTS:

Brief reports will be provided by District staff to inform the Board and public on the status of general operational and administrative matters. No action will be taken by the Board during Reports, however items discussed may be recommended for discussion and action on a future meeting agenda.

- a. Site Manager
- b. General Manager

10. DIRECTORS REPORTS:

Brief reports will be provided by District Board members to inform on matters of general interest. No action will be taken by the Board during Reports, however items discussed may be recommended for discussion and action on a future meeting agenda.

11. ADJOURNMENT

Next Meeting – August 19, 2014

Agenda Materials: May be viewed on the bulletin boards outside the Saddle Creek Pro Shop, on the Sports Club Bulletin Board and at the CSD Website on the Saturday proceeding each meeting date. Materials will also be available at the meeting.

Americans with Disabilities Act Compliance: If you require special assistance to participate in Board Meetings, please contact the CSD Clerk at (209) 785-0100. Advance notification will enable the District to make reasonable arrangements to insure accessibility.

Saddle Creek Community Services District

Regular Meeting of July 15, 2014

AGENDA SUPPORTING DATA

6 a. Approval of General Manager services contract

Background

The General Manager search Ad-Hoc Committee and Board of Directors has completed its evaluation of candidates, issued an employment offer and has received acceptance of that offer by Kampa Community Solutions, LLC.

Recommendation

Approve the contract with Kampa Community Solutions, LLC as presented.



Saddle Creek Community Services District, 1000 Saddle Creek Drive, Copperopolis, CA 95228
Tel: 209.785.0100 Fax: 209.785.6260
"Committed to Serving our Community"

Board of Directors: President Kent Lazarus; Vice-President Scott Baker;
Director/Secretary Charles Robinson; Director Darlene DeBaldo; Director Sue Russ

June 28, 2014

Peter J. Kampa, SDA
Kampa Community Solutions LLC
PO Box Box 3221
Sonora, CA 95370

Dear Mr. Kampa:

Welcome to the Saddle Creek Community Services District (hereinafter denoted "SCCSD") located in Calaveras County, California. We are pleased you and your firm have accepted our offer to operate as General Manager of the SCCSD. As you know, we are confident that you will make significant contributions to SCCSD, and are extremely glad that you will be joining our agency. The following will confirm the terms of your acceptance:

BASIC TERMS

1. Your job title is General Manager – this will be a part-time independent contractor position; you will not be required to keep a record of your time and that your hours may fluctuate with the needs of the job.
2. Your duties are listed in the attached job description.
3. You will report to the elected Board of Directors.
4. Your fee will be \$57,000 per year payable in equal monthly installments of \$4750.00 to Kampa Community Solutions LLC; and Kampa Community Solutions LLC will be responsible for all applicable taxes for said fee.
5. Your start date will be July 1, 2014.
6. You will not participate in health insurance benefits nor benefits of any kind that we may offer District employees.
7. You will be eligible for reimbursement of expenses incurred in the performance of your duties including mileage (other than mileage from your residence to the SCCSD).
8. The SCCSD Board will conduct annual reviews of your performance.

Required Documents/Confidentiality/Non-Solicitation/At- Will Relationship

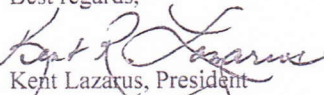
- This offer of engagement is contingent upon your signing and/or submitting all paperwork required by California and United States law for us to pay your fee.
- By signing below, you are confirming that no breach or other violation of any past, current or contemplated oral or written contractual arrangement to which you are a party (including, but not limited to any non-compete or non-solicitation agreement with any former employer) has or will occur by virtue of your acceptance of this offer of engagement or your performing services for the SCCSD.

- By signing below you are confirming that no one has made any representations regarding the terms of this working relationship other than those contained herein and that you are not relying on any such representations in accepting this offer of engagement.
- This is an at-will relationship, and nothing in this letter will be deemed to constitute an agreement for any specific period of time. This means that either you or the SCCSD may terminate the relationship at any time, with or without cause, and it is understood that neither party has an obligation to base a decision to terminate this relationship on any reason other than the intent not to continue the relationship.

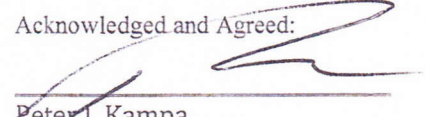
The SCCSD is an Equal Opportunity Employer, and is in full support and compliance with the Immigration Reform and Control Act of 1986. Therefore, our offer must be contingent upon satisfactory completion of the forms required by this Act. Please have available for us two forms of documentation supporting your authorization to work in the U.S. (e.g., driver's license, passport and/or birth certificate and social security card).

PLEASE SIGN BELOW TO INDICATE THAT YOU HAVE REVIEWED THIS OFFER LETTER AND ARE IN AGREEMENT WITH ITS CONTENTS.

Best regards,


Kent Lazarus, President
SCCSD Board of Directors

Acknowledged and Agreed:


Peter J. Kampa,
Kampa Community Solutions LLC

6/28/14
Date

Saddle Creek Community Services District

Regular Meeting of July 15, 2014

AGENDA SUPPORTING DATA

7 a. Update report by District staff on Calaveras County Water District CCWD Mandatory Phase 3 Water Conservation

Background

The State Water Resources Control Board (SWRCB) has issued a directive to permitted water right holders, requiring that all surface water diversions be terminated. Calaveras County Water District (CCWD) received such a directive, but due to the fact that surface water is their only source of water supply for many of the communities it serves, they were able to exempt certain levels of water diversions by submitting a strict water conservation compliance plan. Included in this agenda item for discussion at the meeting is a copy of the email sent to the Board on July 9, 2014.

The purpose of this agenda item is to provide an update to the Board and community on the potential impact of water supply cutbacks on our operations and facilities; as well as to convey the cooperative efforts of the golf course and CCWD.

Recommendation

Water supply discussion only.

Peter J. Kampa

From: Peter J. Kampa <pkampa@kampacs.com>
Sent: Wednesday, July 9, 2014 9:47 AM
To: 'kent@klazarus.net'; 'Charles Robinson'; Phyllis Richards (pr@alphasolutionsii.com); Phyllis Richards (sccsdclerk@caltel.com); 'Darlene DeBaldo'; 'Scott Baker'; 'Sue Russ'
Cc: 'Greg Hebard'
Subject: CCWD water use restrictions and status of water supply for CSD

Good Morning!

This message is intended to provide an update on the status and impact of the CCWD water delivery restrictions and available recycled water supply. No response to this message is necessary and additional clarification will be provided during the Board meeting on July 15.

May 27, 2014 – Due to the extreme drought emergency, the State Water Resources Control Board (SWRCB) issues a curtailment order to permitted (post 1914) water right holders requiring the discontinuance of diversion from surface water sources, with some exemptions. Calaveras County Water District (CCWD) was affected by this order. The SWRCB provided seven days for each affected water provider to respond with a plan for compliance with the order. Since the SWRCB order ceased all diversions, water providers such as CCWD where surface water is the only source, were allowed to continue reduced diversions if the agency's water conservation plan submitted to the state was stringent enough and accepted. The SWRCB Order did not specify how each water provider was to comply.

June 11, 2014 - In response to the SWRCB Order, the CCWD Board of Directors adopts mandatory stage 3 water conservation measures; which included a 35% reduction in diversions to golf courses and fines/penalties for non-compliance. The CCWD water conservation measures may need to be amended, or Stage 4 conservation adopted if so mandated by the state. Stage 4 measures would reduce golf course water even further. The water required for the wetlands managed by the CSD are intrinsically linked to the golf course water supply.

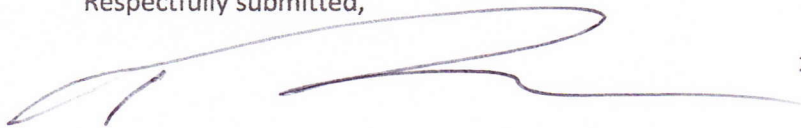
June 12, 2014 – The CSD is notified of the Stage 3 water conservation measures and between the golf course, CSD and CCWD, the reduced diversions begin to be implemented without clear understanding of impact on overall operations.

July 3, 2014 - Representatives from CCWD, the golf course, Castle & Cook and the CSD attended a joint meeting to discuss water supply availability through the end of summer and into fall 2014. CCWD explained that the total amount of recycled wastewater available for irrigation/wetlands will last until later summer/early fall. Raw water delivery to the golf course will be reduced by 35% and will cause impacts to both the course and CSD. The exact operations of what water is to be delivered where, and at what amount was not determined at the meeting; but subsequent meetings between the golf course and CSD have resulted in an initial delivery of 40,000 gallons per day, seven days per week. This amount should provide adequate water supply for the health of the wetlands and compliance with permit requirements.

In addition at the meeting, I committed to research both permit requirements through the Army Corps of Engineers and the potential for partnership with the golf course and/or CCWD for grants to make water use efficiency improvements to irrigation systems, landscape and other water using features in the CSD. The effort is intended to make the golf course and CSD more drought resilient so that when mandatory cutbacks occur in the future, very little operational change and landscape damage is experienced. In addition, the possibility may exist for the permits under which we operate the wetlands to provide some relief to CCWD in its state mandated cutbacks.

We will keep you informed and please do not hesitate to contact Greg or I directly.

Respectfully submitted,





CALAVERAS COUNTY WATER DISTRICT

120 Toma Court • PO Box 846 • San Andreas, CA 95249 • Main line (209) 754-3543

June 12, 2014

For immediate release

Contact: Joel Metzger, customer service and community relations manager at 209-754-3123 or joelm@ccwd.org

Subject: CCWD adopts mandatory Stage 3 water conservation

During a regular board meeting held Wednesday June 11, the Calaveras County Water District Board of Directors established Stage 3 mandatory water conservation measures, effective immediately, which will affect about 12,600 customers.

These conservation measures were adopted in response to Gov. Jerry Brown's declaration of drought state of emergency along with a curtailment notice from the State Water Resource Control Board sent out in early June.

The district has encouraged its customers to voluntarily conserve water since Brown's drought declaration and is appreciative of the significant conservation many people have achieved over the past few months.

Now that mandatory conservation measures are in place, here are some things customers should know:

- CCWD will undertake public outreach to educate the public about water conservation.
- Use of water for cleaning hardscape is prohibited.
- All irrigation is prohibited between 10 a.m. and 6 p.m.
- Line flushing will be discontinued.
- Water may only be used in decorative fountains and recreational ponds to preserve aquatic life.
- Filling new or existing pools is prohibited.
- Residential landscape irrigation will only be allowed on an odd/even watering program.
 - Odd-numbered addresses: Tuesdays, Thursdays and Saturdays.
 - Even-numbered addresses: Mondays, Wednesdays and Fridays.
 - No outdoor watering on Sundays.
- Water for irrigation of commercial landscape, schools and parks shall be reduced by 35 percent.
- Where permitted by the state, treated effluent, rather than raw water, will be used for dust control.
- Golf course irrigation will be restricted to greens and tees if raw water is the sole source. Raw water delivery will be reduced by 35 percent where treated effluent is being used.

Because the district could incur stiff financial penalties for not abiding by the state-mandated water curtailments and because of the district's commitment to help conserve water for the state's benefit as a whole, it has also enacted enforcement measures to ensure customers abide by the mandatory water conservation measures:

- If customers violate the conservation order, they will first receive a written warning.
- If the problem persists, those in violation will have their water governed by a flow-restricting device for a period of 30 days, or until the CCWD Board of Directors repeals the state of emergency.
- The district may also pursue a misdemeanor violation of California Water Code Section 31029. If convicted of this crime, a person could be put in jail for up to 30 days, fined up to \$600, or both.

Saddle Creek Community Services District

Regular Meeting of July 15, 2014

AGENDA SUPPORTING DATA

7 b. Final report and abolishment of the Interim District Management and General Manager Search Committees

Background

The Board of Directors had previously established two Ad-hoc committees to ensure the proper management of the day to day affairs of the District during the time period when no General Manager was present, and to select a candidate to serve as the replacement General Manager. The committees have now completed their task and will provide a closing report on their activities. The new General Manager selected, Peter J. Kampa will be introduced by the Committee.

Recommendation

Receive a Committee report and abolish the committees.

Saddle Creek Community Services District

Regular Meeting of July 15, 2014

AGENDA SUPPORTING DATA

8 a. Review of the 2013 independent Audit Report prepared by Larry Bain, CPA; who will be in attendance at the August meeting for clarification and questions.

Background

An annual audit of the District's financial statements is completed pursuant to the requirements of State law. Larry Bain, CPA was engaged to conduct the audit for the 2013 calendar year, and the draft audit is included with this agenda for your advance review. Mr. Bain will be in attendance to further discuss the audit and answer questions during our August 2014 Board meeting.

Commendations to staff are appropriate as the financial statements appear to be in good order, with no material weaknesses noted. The deficiencies stated in the audit report are not uncommon for smaller special districts and management will propose to the Board a slate of actions to remedy any deficiencies as necessary and appropriate.

Recommendation

Preliminary audit review only.

**SADDLE CREEK
COMMUNITY SERVICES DISTRICT**

**FINANCIAL STATEMENTS
Modified Cash Basis**

DECEMBER 31, 2013

SADDLE CREEK COMMUNITY SERVICES DISTRICT

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LARRY BAIN, CPA

An Accounting Corporation

2148 Frascati Drive, El Dorado Hills, CA 95762 / 916.601-8894
lpbain@sbcglobal.net

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Saddle Creek Community Services District
Copperopolis, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Saddle Creek Community Services District as of and for the year ended December 31, 2013, which collectively comprise the District's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible for 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.

Auditors' 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes 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 controls 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 financial statement presentation.

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 basic financial statements referred to above present fairly, in all material respects, the respective financial position-modified cash basis of the governmental activities and each major fund of the Saddle Creek Community Services District as of December 31, 2013, and the respective changes in financial position-modified cash basis, thereof for the year then ended on the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to the matter.

Other Matters

Required Supplementary Information

The Saddle Creek Community Services District has not presented the Management Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

The required supplementary information other than MD&A, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

We have also issued a report dated June 17, 2014 on our consideration of the District's internal control over financial reporting. That report is an integral part of an audit and should be read in conjunction with this report in considering the results of our audit.



Larry Bain, CPA,
An Accounting Corporation
June 17, 2014

SADDLE CREEK COMMUNITY SERVICES DISTRICT

Statement of Net Position
Modified Cash Basis
December 31, 2013

	<u>Governmental Activities</u>
Assets	
Current assets	
Cash and investments	\$ 639,207
Total current assets	<u>639,207</u>
Capital assets:	
Easements	10,344,000
Equipment	196,072
Buildings	79,000
Infrastructure-Roads	2,360,462
Less: accumulated depreciation	<u>(760,393)</u>
Total Capital Assets-Net	<u>12,219,141</u>
 Total Assets	 \$ <u><u>12,858,348</u></u>
 Net Position	
Net Investment in capital assets	\$ 12,219,141
Unrestricted	<u>639,207</u>
 Total Net Postion	 \$ <u><u>12,858,348</u></u>

The notes to the financial statements are an integral part of this statement

SADDLE CREEK COMMUNITY SERVICES DISTRICT

**Statement of Activities
Modified Cash Basis
For the Fiscal Year Ended December 31, 2013**

	<u>Expenses</u>	<u>Program Revenues Charges for Services</u>	<u>Total</u>
Governmental Activities:			
Community service	\$ <u>584,587</u>	\$ <u>556,104</u>	\$ <u>(28,483)</u>
Total Governmental Activities	\$ <u><u>584,587</u></u>	\$ <u><u>556,104</u></u>	\$ <u><u>(28,483)</u></u>

General Revenues:	
Investment income	900
Other	<u>17,050</u>
Total general revenues	<u>17,950</u>
Change in net position	<u>(10,533)</u>
Net position - beginning	<u>12,868,881</u>
Net position - ending	\$ <u><u>12,858,348</u></u>

The notes to the financial statements are an integral part of this statement

SADDLE CREEK COMMUNITY SERVICES DISTRICT

Balance Sheet
Governmental Funds
Modified Cash Basis
December 31, 2013

	General Fund	Totals Governmental Funds
	<u> </u>	<u> </u>
Assets		
Cash and investments	\$ 639,207	\$ 639,207
Total Assets	<u>\$ 639,207</u>	<u>\$ 639,207</u>
Fund Balance		
Assigned	\$ 335,173	\$ 335,173
Unassigned	<u>304,034</u>	<u>304,034</u>
Total Fund Balance	<u>\$ 639,207</u>	<u>\$ 639,207</u>

The notes to the financial statements are an integral part of this statement

SADDLE CREEK COMMUNITY SERVICES DISTRICT

**Reconciliation of the Governmental Funds Balance Sheet,
To The Statement of Net Position
Modified Cash Basis
December 31, 2013**

Fund Balances of Governmental Funds	\$ 639,207
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets, net of accumulated depreciation, are not current financial resources and are not included in the governmental funds.	<u>12,219,141</u>
Net position of governmental activities	<u>\$ 12,858,348</u>

The notes to the financial statements are an integral part of this statement

SADDLE CREEK COMMUNITY SERVICES DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Modified Cash Basis
For the Year Ended December 31, 2013**

	General Fund	Total Governmental Funds
	<u> </u>	<u> </u>
Revenues		
Use of money and property	\$ 900	\$ 900
Charges for services-maintenance assessment	556,104	556,104
Other	<u>17,050</u>	<u>17,050</u>
Total Revenues	<u>574,054</u>	<u>574,054</u>
Expenditures		
Current:		
Community services	522,118	522,118
Debt service		
Principal	3,128	3,128
Capital outlay		
Equipment	<u>11,886</u>	<u>11,886</u>
Total Expenditures	<u>537,132</u>	<u>537,132</u>
Excess of revenues over expenditures	36,922	36,922
Fund Balance, January 1	<u>602,285</u>	<u>602,285</u>
Fund Balance, December 31	<u><u>\$ 639,207</u></u>	<u><u>\$ 639,207</u></u>

The notes to the financial statements are an integral part of this statement

SADDLE CREEK COMMUNITY SERVICES DISTRICT

Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities
Modified Cash Basis
December 31, 2013

Net Change in Fund Balances - Total Governmental Funds	\$ 36,922
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities. The costs of those assets is allocated over their estimated useful lives as depreciation expense or are allocated to the appropriate functional expense when the cost is below the capitalization threshold. This activity is reconciled as follows:	
Capital Outlay	11,886
Depreciation expense	(62,469)
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	<u>3,128</u>
Change in net position of governmental activities	<u><u>\$ (10,533)</u></u>

The notes to the financial statements are an integral part of this statement

SADDLE CREEK COMMUNITY SERVICES DISTRICT

Notes to the Financial Statements December 31, 2013

Note 1: Summary of Significant Accounting Policies

The Saddle Creek Community Services District was formed on August 18, 1995, by resolution of the Board of Supervisors of Calaveras County and approved by the Local Agency Formation Commission. The purpose of the District is to provide staffing for the privacy guardhouse, wetland maintenance and monitoring, maintenance and improvements of roads, streetlights and landscaping. The District is a separate legal entity of the County of Calaveras and shall operate pursuant to Government Code Section 61600.

The District receives assessments levied upon property located within the District by the County of Calaveras. The District's Board of Directors determines the assessments and the assessments are collected by the tax collector of the County.

The accounting policies of the District are prepared on the modified cash basis of accounting. This basis of accounting is other than generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The District has defined its reporting entity in accordance with accounting principles generally accepted in the United States of America, which provide guidance for determining which governmental activities, organizations, and functions should be included in the reporting entity. In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. The primary criterion for including a potential component unit within the reporting entity is the governing body's financial accountability. A primary governmental entity is financially accountable if it appoints a voting majority of a component unit's governing body and it is able to impose its will on the component unit, or if there is a potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A primary government may also be financially accountable if a component unit is fiscally dependent on the primary governmental entity regardless of whether the component unit has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board.

Based on the aforementioned oversight criteria, there are no component units in accordance with the Governmental Accounting Standards Board.

B. Basis of Accounting

The accompanying financial statements have been prepared on the modified cash basis of accounting. This is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. The following are some of the ways that the modified cash basis of accounting differs from accounting principles generally accepted in the United States of America.

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned or, for property tax revenues, in the period for which levied. Expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

SADDLE CREEK COMMUNITY SERVICES DISTRICT

Notes to the Financial Statements December 31, 2013

Note 1: Summary of Significant Accounting Policies (continued)

B. Basis of Accounting (continued)

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible in the current period or soon enough thereafter to be used to pay liabilities of the current period. Resources not available to finance expenditures and commitments of the current period are recognized as deferred revenue or as a reservation of fund balance. Property taxes are considered available if they are collected within sixty-days after year-end.

Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt, as well as compensated absences and claims and judgments are recorded only when payment is due. General capital acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financial sources.

The Saddle Creek Community Services District recognizes revenues when they are received by the District. The modified cash basis of accounting recognizes all expenditures when they are paid. Accrued assets and liabilities are presented if they are not material to the financial statements.

Consequently, the District has not recognized receivables or accounts payable to vendors and their related effects on earnings in the accompanying financial statements. The District does recognize capital assets and long-term debt in the government-wide financial statements in accordance with GASB 34.

C. Non-Current Governmental Assets/Liabilities

GASB Statement 34 eliminates the presentation of account groups, but provides for these records to be maintained and incorporates the information into the Governmental Activities column in the government-wide statement of net position.

D. Basis of Presentation

The accounts of the District are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts established for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The District's resources are accounted for in these individual funds based on the purposes for which they are to be spent and the means by which spending activity is controlled. For financial reporting, these funds have been grouped into the fund type discussed below.

Governmental Fund Type

Governmental funds are used to account for the District's expendable financial resources and related liabilities (except those accounted for in proprietary and similar trust funds). The measurement focus is based upon determination of changes in financial position. The following are the District's governmental funds:

General Fund - This fund accounts for all the financial resources not required to be accounted for in another fund. This fund consists primarily of general government type activities.

SADDLE CREEK COMMUNITY SERVICES DISTRICT

Notes to the Financial Statements
December 31, 2013

Note 1: Summary of Significant Accounting Policies (Continued)

E. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates

F. Restricted Assets

Restricted assets are financial resources generated for a specific purpose such as construction of improvements and financing of debt obligations. These amounts are restricted, as their use is limited by applicable bond covenants or other external requirements.

G. Fund Equity

Restrictions of fund balances of governmental funds are established to either (1) satisfy legal covenants that require a portion of fund balance to be segregated or (2) identify the portion of the fund balance that is not appropriate for future expenditures.

H. Property Assessments

The Board of Directors sets fees for the operation of the District, which are collected by the County of Calaveras and remitted to the District. The 2012/2013 fiscal year assessment was as follows:

Improved lots \$982.24 per year

I. Capital Assets

Capital assets, recorded at historical cost or estimated historical cost if actual historical cost is not available, are reported in governmental activities column of the government-wide financial statements. Contributed fixed assets are valued at their estimated fair market value. Capital assets include easements, buildings, roads and equipment. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Depreciation is recorded in the government-wide financial statements using mid- year convention, on the straight-line basis over the useful life of the assets as follows:

<u>Assets</u>	<u>Useful Life</u>
Buildings	50 years
Building improvements	20 years
Other improvements	35 years
Equipment and machinery	5 to 20 years
Infrastructure	50 years

SADDLE CREEK COMMUNITY SERVICES DISTRICT

**Notes to the Financial Statements
December 31, 2013**

Note 2: Cash and Investments

Cash at December 31, 2013 consisted of the following:

General checking	\$	207,453
General savings		125,961
Cash with county		<u>305,793</u>
Total	\$	<u><u>639,207</u></u>

A. Investments Authorized by the California Government Code and the Entity's Investment Policy

The table below identifies the **investment types** that are authorized for the Saddle Creek Community Services District by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address **interest rate risk**, **credit risk** and **concentration of credit risk**. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Percentage of Portfolio</u>	<u>Investment in One Issuer</u>
Investment pools authorized under CA			
Statutes governed by Government Code	N/A	None	\$40 million
U.S. Treasury Obligations	5 years	None	None
Bank Savings Accounts	N/A	25%	None
Federal Agencies	5 years	75%	None
Commercial Paper	180 days	20%	None
Negotiable Certificates of Deposit	180 days	20%	None
Re-Purchase Agreements	180 days	20%	None
Corporate Debt	5 years	25%	None

B. Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of and investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investment maturity:

<u>Investment type</u>	<u>Totals</u>	<u>Remaining Maturity (in Months)</u>			
		<u>12 Months or Less</u>	<u>13-24 Months</u>	<u>25-36 Months</u>	<u>37-48 Months</u>
Calaveras County*	\$ 305,793	\$ 305,793	\$ -	\$ -	\$ -
Totals	<u>\$ 305,793</u>	<u>\$ 305,793</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

* Not subject to categorization

SADDLE CREEK COMMUNITY SERVICES DISTRICT

Notes to the Financial Statements December 31, 2013

Note 2: Cash and Investments (continued)

B. Disclosures Relating to Interest Rate Risk (continued)

Investments made by the District are summarized below. The investments that are represented by specific identifiable investment securities are classified as to three levels of custodial credit risk within the following categories:

Category 1 - insured or registered, with securities held by District or its agent in the District's name.

C. Concentrations of Credit Risk

The investment policy of the District contains limitations on the amount that can be invested in any one issuer. There are no investments to one issuer exceeding those limits.

D. Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposit or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment of collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits; The California Government Code requires that a financial institution secured deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the District's deposits by pledging first deed mortgage notes having a value of 150% of the secured public deposits.

At December 31, 2013, the District's deposits balance, including certificates of deposit, was \$397,115 and the carrying amount was \$333,414. The difference between the bank balance and the carrying amount was due to normal outstanding checks and deposits in transit. Of the bank balance, all was covered by the Federal Depository Insurance and none was covered by collateral held in the pledging bank's trust department in the District's name.

E. Investment in Government Pool

Investments are accounted for in accordance with the provisions of GASB Statement No. 31, which requires governmental entities to report certain investments at fair value in the balance sheet and recognize the corresponding change in fair value of investments in the year in which the change occurred. The District reports its investment in the Calaveras County investment pool at fair value based on quoted market information obtained from fiscal agents or other sources if the change is material to the financial statements.

SADDLE CREEK COMMUNITY SERVICES DISTRICT

**Notes to the Financial Statements
December 31, 2013**

Note 3: Property Plant and Equipment

Activity for the assets capitalized by the District is summarized below:

	Balance January 1, 2013	Additions	Deletions	Balance December 31, 2013
Governmental Activities				
Capital assets, not being depreciated				
Easements	\$ 10,344,000	\$ -	\$ -	\$ 10,344,000
Capital assets, being depreciated				
Equipment	184,186	11,886	-	196,072
Buildings	79,000	-	-	79,000
Roads	2,360,462	-	-	2,360,462
Total capital assets, being depreciated	2,623,648	11,886	-	2,635,534
Less accumulated depreciation for;				
Equipment	(162,047)	(13,680)	-	(175,727)
Buildings	(13,430)	(1,580)	-	(15,010)
Roads	(522,447)	(47,209)	-	(569,656)
Total accumulated depreciation	(697,925)	(62,469)	-	(760,393)
Total capital assets, being depreciated, net	1,925,723	(50,583)	-	1,875,141
Total governmental activities, capital assets, net	\$ 12,269,723	\$ (50,583)	\$ -	\$ 12,219,141

Note 4: Long-Term Debt

The following is a summary of changes in the general long-term debt account group for the year ended December 31, 2013:

	Balance January 1, 2013	Additions	Retirements	Balance December 31, 2013	Due within one year
Governmental Activities					
Capital lease	\$ 3,128	\$ -	\$ 3,128	\$ -	\$ -
Total	\$ 3,128	\$ -	\$ 3,128	\$ -	\$ -

Long-term debt obligations consist of the following:

Capital Lease

The District entered into a lease agreement with John Deere Credit for financing the acquisition of capital equipment. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, was also recorded at the present value of future minimum lease payments as of the inception date in the fixed assets schedule. The original lease amount was \$37,529 beginning April 2009 with monthly payments due in the amount of \$782 through April 2013. The interest rate was 0%. This debt was paid off in the current fiscal year.

SADDLE CREEK COMMUNITY SERVICES DISTRICT

Notes to the Financial Statements
December 31, 2013

Note 5: Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District purchases commercial insurance to cover the risk of loss. The general liability and the director and officers' liability coverage are limited to \$1,000,000 each. The District pays an annual premium to Special Districts Risk Management Authority for its general liability and workers compensation insurance. The District also has a \$100,000 dishonesty bond to provide protection from potential losses due to embezzlement by employees.

Note 6: Gann Limit

Proceeds subject to GANN Limit for 2013	\$	574,054
GANN limit for 2013		<u>1,136,065</u>
Amount (under)/over limit	\$	<u>(562,011)</u>

Note 7: Revenue Limitations Imposed by California Proposition 218

Proposition 218, which was approved by the voters in November 1996, regulates the District's ability to impose, increase, and extend taxes and assessments. Any new increase or extended taxes and assessments subject to the provisions of Proposition 218, requires voter approval before they can be implemented. Additionally, Proposition 218 provides that these taxes and assessments are subject to voter initiative and may be rescinded in the future years by the voters.

Note 8: Contingent Liabilities

Grants are subject to audit to determine compliance with their requirements. District officials believe that if any refunds are required, they would not have a significant effect on the financial condition or liquidity of the District. The District is unaware of any pending litigation or other contingencies which would have a material effect on the financial condition or liquidity of the District.

SADDLE CREEK COMMUNITY SERVICES DISTRICT

**Required Supplementary Information
Budgetary Comparison Schedule-General Fund
Modified Cash Basis
December 31, 2013**

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Revenues				
Use of money and property	\$ -	\$ -	\$ 900	\$ 900
Charges for services-property assessments	544,760	544,760	556,104	11,344
Other	-	-	17,050	17,050
Total Revenues	<u>544,760</u>	<u>544,760</u>	<u>574,054</u>	<u>29,295</u>
Expenditures				
Salaries and benefits	410,400	410,400	361,667	48,733
Services and supplies	142,592	142,592	160,456	(17,864)
Debt service				
Principal			3,128	(3,128)
Capital outlay	<u>12,700</u>	<u>12,700</u>	<u>11,886</u>	<u>814</u>
Total Expenditures	<u>565,692</u>	<u>565,692</u>	<u>537,137</u>	<u>28,555</u>
Excess of revenues over expenditures	<u>\$ (20,932)</u>	<u>\$ (20,932)</u>	36,918	<u>\$ 57,850</u>
Fund Balance, January 1, 2013			<u>602,285</u>	
Fund Balance, December 31, 2013			<u>\$ 639,203</u>	

The note to the required supplementary information is an integral part of this schedule

SADDLE CREEK COMMUNITY SERVICES DISTRICT

**Note to the Required Supplementary Information
December 31, 2013**

Note 1: Budgets and Budgetary Accounting

As required by State law, the District is required to prepare and legally adopt a final operating budget. Public hearings are required to be conducted on the proposed and final budget to review all appropriations and the sources of financing.

The budget for the general fund is required to be adopted on the modified cash basis of accounting. The budget for the general fund is the only legally adopted budgets.

At the object level, actual expenditures cannot exceed budgeted appropriations. Management can transfer budgeted amounts between expenditure accounts within an object without the approval of the Board of Directors. Significant amendments and appropriation transfers between objects or funds must be approved by the Board of Directors. Appropriations lapse at year end.

LARRY BAIN, CPA

An Accounting Corporation

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To: Board of Directors
Saddle Creek Community Services District

We have audited the financial statements of Saddle Creek Community Services District as of and for the fiscal year ended December 2013, and have issued our report thereon dated June 17, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Saddle Creek Community Services District's (District) 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 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 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 material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or 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. We consider finding 13-1 through 13-6 in the following schedule of findings to be significant deficiencies in the District's internal control:

Saddle Creek Community Services District's Response to Findings

The Saddle Creek Community Services District's separate written response to the significant deficiencies identified in our audit and any follow up for subsequent year corrections has not been subjected to the audit procedures applied in the audit of the financial statements and accordingly, we do not express an opinion on the responses.

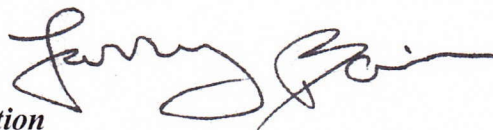
Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal controls over financial reporting and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control. This report is an integral part of an audit performed in accordance with auditing standards generally accepted in the United States of America in considering the District's internal control over financial reporting, accordingly this report is not suitable for any other purpose.

This report is intended solely for the information and use of the board of directors, management, Calaveras County Auditor Controllers Office and the Controller's Office of the State of California.

Larry Bain, CPA,
An Accounting Corporation

June 17, 2014



SADDLE CREEK COMMUNITY SERVICES DISTRICT

Findings and Recommendations

December 31, 2013

Significant Deficiencies Not Deemed Material Weaknesses

FS 13-1: We noted the District had a lack of segregation of duties, as one person is capable of handling all aspects of processing transactions from beginning to end. A lack of segregation of duties increases the risk of potential errors or irregularities occurring without being detected; however, due to a limited number of personnel an adequate segregation of duties is not possible without incurring additional costs. We have also noted this comment in previous audits.

FS 13-2 (Follow Up on Prior Year Finding): During our testing of the District's credit card expenses, we noted several charges where the business purpose of the expense was not indicated on the invoice or receipt. From reviewing the supporting documentation we were unable to determine the business purpose of the purchase.

Current Year Follow Up: We noted that some credit card charges did not have supporting documentation.

We recommend that all charges to the District credit cards be supported by invoices and/or receipts which indicate the authorized business purpose of the transaction. We recommend the District board carefully scrutinize all credit card charges and question unusual activity.

FS 13-3: During our testing of payroll, we noted the District was paying into Federal Unemployment Tax (FUTA). Governmental agencies are not subject to FUTA. We also noted there was no supervisor signature on the Maintenance Manager timecard.

Recommendation: We recommend the District review the FUTA payments. If it is determined that no additional benefit is received by paying into FUTA the District should seek reimbursement of the amount paid. We also recommend that all employee timecards be authorized by a supervisor or manager.

FS 13-4: During our testing of payroll we noted the maintenance supervisor is being treated as an exempt employee under FLSA standards. Based on our review this employee does not appear to qualify under this classification.

Recommendation: We recommend the District management or District legal counsel review this position and determine if the maintenance supervisor currently being treated as an exempt employee is eligible to be an exempt employee under FLSA rules.

FS 13-5: During our testing we noted several meal purchases exceeded the allowable cost listed in the District's reimbursement policy. The allowable cost for meals includes the tax and tip and is \$10 for Breakfast, \$15 for Lunch and \$25 for Dinner per qualifying District employee.

Recommendation: We recommend that all District employees adhere to the guidelines of the meal policy.

FS 13-6: During our audit we noted the District's policy was to follow Publication 1542 for allowable maximum lodging rates. After review we noted the allowable lodging rate for Sacramento was \$99 per night. We noted several instances where the maximum allowable rate was exceeded.

Recommendation: As outlined in the District's policy employees should adhere to the rates set in Publication 1542. Many government agencies also request the transient occupancy tax (T.O.T.) and assessment fees be waived when staying at hotels. We recommend the District adopt this practice and submit documentation to hotels for the T.O.T waiver prior to the hotel stay.

We also recommend the District accountant or employee who reserves the lodging have a list of maximum room rates authorized by the Board when making the reservation. If the room rate exceeds the maximum rate allowed under the District policy then the Board should review the reason for exceeding the rate and approve exceeding the room rate, on a case by case basis.

Saddle Creek Community Services District

Regular Meeting of July 15, 2014

AGENDA SUPPORTING DATA

8 b. Review and potential amendment to the District's Conflict of Interest Code pursuant to California Government Code Section 83700 et seq.

Background

State law requires that the District issue a report on its Conflict of Interest Code every two years in even numbered years. The District last considered updates to its Code in 2012 and update consideration is now necessary. A copy of the current Conflict of Interest Code will be distributed to the Board before or at the meeting. The purpose of the Code is to ensure that the District is operated and managed in an ethical manner, consistent with the many applicable laws and standards.

The Code must be amended when circumstances change such as modified employee or Board responsibilities, or contracting for management services versus hiring regular employees; both of which have occurred recently at the District.

During this meeting we will discuss proposed Code amendments, and a final version will be placed on the August 2014 agenda for approval.

Recommendation

Consider amendments to the District's Conflict of Interest Code.

Saddle Creek Community Services District

Regular Meeting of July 15, 2014

AGENDA SUPPORTING DATA

8 c. Discussion regarding the process and schedule for establishment of District priorities and supporting management objectives for the General Manager

Background

Establishing Board/District priorities and setting forth clear and measurable management performance expectations, goals and objectives, herein referred to as Management Objectives, is one of the most important roles of the District Board of Directors. The process of developing Management Objectives can also serve to enhance internal and external communications, built understanding and trust in the District and its actions, develop partnerships and provide a system of accountability throughout the community.

Publicly established Management Objectives serve as a very important action plan for the District, increasing transparency and ensuring that all management actions are aligned with and supportive of the District's mission and the Board's vision of the services provided.

Establishing Management Objectives is a public process, typically done in a workshop type format, spanning from two to four hours. I will facilitate the process if so desired by the Board. Meeting agendas can simply be posted as usual, or we can use a proactive approach and do formal outreach in an attempt to encourage key community leaders to participate as public/partners. I will perform research and produce a preliminary list of priorities for distribution in advance the workshop, based on staff input and discovered needs and opportunities.

At the workshop, we must allow for public comment, however due to the large effort required to complete the planning within a reasonable meeting length, the Board Chair can determine the extent and timing of public input on the Objectives. I have found it most effective for me to verbally introduce the subject matter at the beginning of the meeting, and then to provide the public an opportunity for initial input. Additional input should be allowed as appropriate when major areas of Board agreement are reached, as well as prior to closing the session if necessary.

Post-workshop, the Management Objectives agreed upon at the session are then correctly formatted, supporting narrative and performance measurements finalized, and then distributed to the Board for final public approval at the next meeting. Progress on achievement of the approved objectives should be reported to the Board at minimum quarterly, and the cumulative annual achievements serve as a portion of the basis for the performance evaluation of the General Manager.

The purpose of today's agenda item is to determine:

1. The level of interest in development of Board priorities and management objectives
2. The level of public outreach and engagement necessary in the process
3. The proposed schedule for the workshop

Recommendation

Establish a Special Meeting/Board Workshop for the purpose of establishing District priorities and management objectives.

Saddle Creek Community Services District

Regular Meeting of July 15, 2014

AGENDA SUPPORTING DATA

8 d. Discussion/Action regarding waiver of compensation due to directors for attendance at the special meetings of May 13, 2014 and June 17 and 20, 2014

Background

Director Robinson has requested that the Board consider waiving the receipt of the stipend normally paid to the Board for attendance at meetings. The three special Board meetings held during the General Manager interview process were conducted on May 13 and June 17 and 20, 2014.

Recommendation

Consider waiver of the meeting stipend.