

Draft
SADDLE CREEK COMMUNITY SERVICES DISTRICT
MINUTES FOR THE MEETING OF THE BOARD OF DIRECTORS
June 16, 2015

CALL TO ORDER:

The Saddle Creek Community Services District (CSD) Board of Directors held their monthly meeting on Tuesday June 16, 2015. President Robinson called the meeting to order at 2:00 PM in the Members Lounge and led Directors and staff in the Pledge of Allegiance.

ROLL CALL: Roll call indicated the following directors were present:

President:	Charlie Robinson
Vice President	Sue Russ
Director	Lawrence Hoffman
Director	Kent Lazarus
Director	Kenneth Alberson

Staff:	The following staff members were present:	
	General Manager/	Peter Kampa
	Treasurer	
	Asst. Site Manager:	Ralph McGeorge
	Clerk (acting)	Phyllis Richards

Public:	Resident	Don Kurtz
---------	----------	-----------

PLEDGE OF ALLEGIANCE:

CHANGES TO THE ORDER OF AGENDA:

None suggested.

PUBLIC COMMENT:

Mr. Don Kurtz introduced himself to the Board and indicated that he is a new resident in the Rock Ridge area in Saddle Creek.

CONSENT CALENDAR: Consent Calendar items are considered routine and will be acted upon by one motion. There will be no separate discussion of these items unless a member of the Board, Staff or a member of the public requests specific items to be set aside for separate action.

- a. Review of monthly financial report and approval of bills and claims for the month of May 2015.
- b. Approval of the minutes of the Regular Board Meeting of May 19, 2014 with the changes as mentioned.

- c. M/ by Director Russ and S/ by Director Albertson to move approval of expenditures incurred by the district during the month of May and approval of the minutes.
M/ passed unanimously.

OLD BUSINESS:

- a. Report on the status and projections for water supply to support Saddle Creek CSD, Castle & Cooke and Golf Course operations and permit compliance.

NEW BUSINESS:

- a. PUBLIC HEARING – Adoption of a Resolution approving the appropriations limit for the 2015 calendar budget year pursuant to Article XIIIb of the California Constitution.

Background:

Proposition 4, which was co-sponsored by Proposition 13 author Paul Gann and commonly known as the Gann Initiative, was passed by California voters in 1979. It established Article XIII B of the State Constitution and set limits on the growth of most appropriations from tax sources made by the state and affected local governmental entities. Most local governments and districts are subject to the limit. Starting in the 1980-81 fiscal year, Article XIII B limited the annual growth of applicable appropriation levels to calculated percentages, above the previous year's level, based upon regional population growth and the rate of inflation as measured by the lower of the percentage change in the Consumer Price Index, CPI, or California's per capita personal income.

Types of revenue subject to the Article XIII B limit included tax revenues, interest earnings on invested tax revenues, and proceeds from regulatory and service licenses, fees and charges that exceed costs to cover administration and services provided. Appropriations for debt service and compliance with court orders and federal mandates were exempt from the limit. Voters within a jurisdiction were allowed to authorize an increase in the limit; however any increase approved could only be in effect for a maximum of four years. After four years, voters could approve another increase, otherwise the limit would return to the level it would have been without the first increase. The article further specified that tax revenues in excess of the limits were to be returned to taxpayers in the form of lower tax rates or reduced fee schedules.

In 1988 Proposition 98 allowed excess appropriations to be transferred to K-14 schools, up to 4 percent of the schools minimum funding base. Proposition 99, also passed in 1988, increased taxes on cigarette and tobacco products and made these tax revenues exempt from the Article XIII B limit.

More comprehensive changes were implemented in 1990 with the approval of Proposition 111. One of the most significant changes under 111 was to extend the

appropriations limit restriction to a two-year period. Excess revenues received in one year could be carried over to the following year, preventing a rebate if the revenues fell below the limit in the second year. The effect was to create a two year average, allowing the State and local entities more flexibility in managing appropriations and expenditures. In addition, Proposition 111 covered a gap in previous legislation that left the State and local governments open to spending limits that could prevent adequate funding of multi-year capital outlays and sufficient response to emergencies such as natural disasters. Subsequently costs associated with recovery from natural disasters and for qualified capital outlays were exempt from the Article VIII B limits.

The net effect of the three propositions was to soften the appropriations limit, adding new exemptions, allowing for a two-year average against the limit and increasing the funding available to schools. However, the State and each affected local governmental entity, must plan and budget against the Gann limit as it remains a binding constraint on governmental appropriations.

Recommended Motion: GM recommends Board pass Resolution 15-04.

M/ by Director Lazarus and S/ by Director Albertson to move approval of Resolution 15-04 approving the appropriations limit for the 2015 calendar budget year pursuant to Article XIIIb of the California Constitution.

M/ passed unanimously.

- b. Adoption of a Resolution establishing the 2015/2016 fiscal year Special Tax rate for collection by the Calaveras County Auditor/Controller.

Background

Each year, the District's primary funding source, a special tax levied on all parcels in the District is placed on the Calaveras County Tax Rolls for collection with the ad valorem property taxes. This funding, once received by the County, is then paid to the District in (typically) two lump sum payments. When the Special Tax was drafted and approved by the Board and District voters in 2001, there were provisions for the tax to increase automatically each year by the CPI, unless the Board took action to not increase the tax for the year, or to implement a lower rate of increase.

In history, the District has increased the Special Tax each year approximately 2%. 560 parcels are assessed and staff recommends a 2% increase from the current \$1021.92 to \$1042.36. The 2015 budget was developed based on the estimated 2% increase.

Recommended Motion: GM recommends that the Board pass Resolution 15-05.

M/ by Director Russ and S/ by Director Albertson to move approval of Resolution 15-05 establishing the 2015/2016 fiscal year Special Tax rate for collection by the Calaveras County Auditor/Controller.

M/ passed unanimously.

c. Presentation of draft 2014 audit report.

Background

California law requires that the District hire a qualified independent auditing firm to perform an annual audit, or test review of our financial statements to ensure that they are prepared in accordance with Generally Accepted Accounting Principles and various government auditing standards. As the Board cannot possibly be heavily involved in, and fully understanding of the daily financial affairs of the District, the Board hires a Manager and authorizes other staff or consultant positions to handle the routine financial matters. The Board adopts policies to guide how budgets are developed, and how money is spent, accounted for and the results reported to the Board. The auditor, working with management and on behalf of the Board will also test portions of the financial transactions to determine compliance with current Board policy.

Larry Bain, CPA was engaged to conduct the audit for the 2014 calendar year, and the draft audit is now being distributed for Board and public review. This agenda item is to receive additional information on the audit, and for its acceptance by the Board in July. Mr. Bain will be in attendance during our July meeting to discuss the audit and answer questions from the Board and public during this meeting.

One of the primary duties of the Board is their fiduciary responsibility with regard to District finances. The Board must establish policies and ensure that the procedures and practices of District management provide the highest level of protection of public funds, and that these funds are invested in appropriate activities and means to achieve the level of service desired by the community, through this Board. The only way for the Board to confirm that this is occurring is to receive accurate and timely financial reporting.

As stated in the draft report, the auditor is not engaged to find every potential flaw in our financial system, but is required to report publicly to the Board if there are material weaknesses or breaches in our financial systems where policy was not followed, or methods were discovered where a substantial risk of fraud, embezzlement or other financial crimes could occur without immediate notice by management and/or the Board. The auditor will also make findings and recommendations for changes to our financial systems if they feel that material weaknesses could occur or if there are actions that put the District at financial risk.

In Mr. Bain's 2014 Report on Internal Controls Over Financial Reporting, he reports that **no such material weaknesses were discovered** in his review of our financial statements. By comparing the findings and recommendations from 2013 to 2014, you can see that we have resolved most of Mr. Bain's previously stated concerns. The draft audit, attached, is a testament that we have taken positive steps throughout the year, and have made a solid choice in our new Bookkeeper, Dolores Baker. Dolores has worked diligently with Larry from her beginning near the close of 2014 to keep him informed and moving on preparation of the audited financial statements, and clarifying any concerns or issues he had.

Once again, I view this audit as a positive reflection of the Board and District management. Rather than presenting a response letter to Mr. Bain's Findings and Recommendations of 2013, your management immediately addressed these concerns directly with changes in Board policy and accounting practices.

Recommended Motion: GM presented a preliminary review to the Board.

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.

Assistant Site Manager Ralph McGeorge advised the Board that he just received notice from Calaveras County that they be updating the roundabout with the new signs tomorrow.

Ralph indicated that they have been focusing on the irrigation and repairs to the watering heads. There are 1,800 heads on Saddle Creek Drive. They have removed about 100 heads, have shut off 800 heads and adjusted 700. They left the remaining heads to water ornamental bushes, trees, and everything else that is out there. He said that they are using every minutes of watering that they are allowed to use during the two days a week we are allowed to water.

DIRECTORS REPORTS:

President Robinson – None

V/President Russ – None

Secretary Alberson – None

Director Hoffman – None

Director Lazarus – None

CLOSED SESSION- Pursuant to California Government Code Section 54956.9 (d) (4) Conference with Legal Counsel, Anticipated Litigation (one case.) Session started at 2:45PM.

REPORT FROM CLOSED SESSION – No reportable action.

ADJOURNMENT – Having no further business, President Robinson adjourned the meeting at 3:25 PM. CSD's next board meeting date is July 21, 2015.

Phyllis Richards, Acting CSD Clerk

Peter Kampa, General Manager

APPROVED BY:

Charlie Robinson, Board President

Sue Russ, V/President

SEAL



Saddle Creek Community Services District

Treasurer's Report

June 30, 2015

Saddle Creek Comm Srvs District
Statement of Cash Flows

For the 6 Months Ending June 30, 2015

	Umpqua Bank Checking	Calaveras Co Fund 2188	Umpqua Bank CD #7405	Umpqua Bank CD #46165	Umpqua Bank CD #46207	Umpqua Bank CD #46249	Umpqua Bank CD #46124	YTD Total
OPERATING ACTIVITIES								
Net Income	241,452.69	(311,981.51)	22.75	18.80	18.79	15.02	15.01	(70,438.45)
Adjustments to reconcile Net Income to Net Cash provided by Operations:								-
IN03 JE 5.6 Interest Income			22.03					22.03
2000 Accounts Payable	27,542.19							27,542.19
2040 CSDA Bank of the West MC	4,406.08							4,406.08
2060 CSD Visa - MLB	-5,247.38							(5,247.38)
								-
2100 Payroll Liabilities	-4,050.26							(4,050.26)
2150 Accrued Payroll	261.24							261.24
2201 Sales Tax Adjustment	29.04							29.04
Board of Equilization Payable	16.06							16.06
Net cash provided by operating activities	264,409.66	(311,981.51)	44.78	18.80	18.79	15.02	15.01	(47,459.45)
Net cash increase for period	264,409.66	(311,981.51)	44.78	18.80	18.79	15.02	15.01	(47,459.45)
Cash at beginning of period	205,544.43	311,981.51	25,788.57	25,119.06	25,119.06	25,086.45	25,086.45	643,725.53
Cash at end of period	469,954.09	-	25,833.35	25,137.86	25,137.85	25,101.47	25,101.46	596,266.08

Prepared by: Dolores Baker
17-Jul-15

Saddle Creek Community Services District

BALANCE SHEET

As of June 30, 2015

ASSETS

Current Assets

Bank Accounts

1000 Umpqua Bank Checking	469,954.09
1080 Umpqua Bank CD Accounts	
1081 CD #7405	25,833.35
1082 CD #46165	25,137.86
1083 CD #46207	25,137.85
1084 CD #46249	25,101.47
1085 CD #46124	25,101.46

Total 1080 Umpqua Bank CD Accounts **\$ 126,311.99**

Total Bank Accounts **\$ 596,266.08**

Total Current Assets **\$ 596,266.08**

Fixed Assets

1500 Capital Assets

1501 Equipment	267,138.76
1503 Roads	2,360,462.00
1504 Easements	10,344,000.00
1505 Buildings	79,000.00

Total 1500 Capital Assets **\$ 13,050,600.76**

1600 Accumulated Depreciation

1601 Equipment	-184,679.03
1603 Roads	-616,865.62
1605 Buildings	-16,590.00

Total 1600 Accumulated Depreciation **-\$ 818,134.65**

Total Fixed Assets **\$ 12,232,466.11**

TOTAL ASSETS **\$ 12,828,732.19**

LIABILITIES AND EQUITY

Liabilities

Current Liabilities

Accounts Payable

2000 Accounts Payable	36,985.12
-----------------------	-----------

Total Accounts Payable **\$ 36,985.12**

Credit Cards

2040 CSDA Bank of the West MC	4,406.08
-------------------------------	----------

Total Credit Cards **\$ 4,406.08**

Other Current Liabilities

2100 Payroll Liabilities	-3,178.15
2150 Accrued Payroll	10,038.57
2201 Sales Tax Adjustment	29.04
Board of Equalization Payable	41.18

Total Other Current Liabilities **\$ 6,930.64**

Total Current Liabilities **\$ 48,321.84**

Total Liabilities **\$ 48,321.84**

Equity

3800 Developer Capital Contributions 12,198,795.62

3900 Retained Earnings 652,053.18

Net Income -70,438.45

Total Equity **\$ 12,780,410.35**

TOTAL LIABILITIES AND EQUITY **\$ 12,828,732.19**

SADDLE CREEK COMMUNITY SERVICES DISTRICT
BUDGET AND PROFIT & LOSS REPORT
 June 2015

	Current Year - 2015				Prior Year - 2014			
	Approved BUDGET	CURRENT MONTH	YEAR TO DATE	% of Budget	Adjusted BUDGET	CURRENT MONTH	YEAR TO DATE	% of Budget
EXPENSES								
Operating Expenses								
OE01 Audit Expense	\$ 7,500	\$ 7,500	\$ 7,500	100%	\$ 7,500	\$ -	\$ -	0%
OE02 Accounting & Bookkeeping	\$ 500	\$ 31	\$ 94	19%	\$ 6,000	\$ 350	\$ 3,488	58%
OE03 On-line Back-up/Notary Fees/Bonds	\$ 351	\$ -	\$ 326	93%	\$ 1,000	\$ 25	\$ 351	35%
OE04 Legal Expenses	\$ 1,500	\$ -	\$ -	0%	\$ 1,500	\$ 500	\$ 500	33%
OE05 Management Fees	\$ 57,000	\$ 4,750	\$ 28,500	50%	\$ -	\$ -	\$ -	
OE06 Insurance (Property Loss/Liability)	\$ 8,000	\$ -	\$ 8,001	100%	\$ 8,000	\$ 6,317	\$ 6,359	79%
OE07 Miscellaneous/Contingency	\$ 2,000	\$ 658	\$ 854	43%	\$ 5,000	\$ -	\$ -	0%
OE08 Professional Development (Travel/Training)	\$ 6,000	\$ 250	\$ 3,822	64%	\$ 5,000	\$ 522	\$ 4,505	90%
OE09 Dues, Certifications & Subscriptions	\$ 4,000	\$ -	\$ 2,676	67%	\$ 4,000	\$ 621	\$ 1,382	35%
OE10 Uniform Expenses	\$ 2,200	\$ -	\$ 720	33%	\$ 1,600	\$ -	\$ 1,862	116%
OE11 Electric Power/Water/Sewer	\$ 6,000	\$ 281	\$ 2,059	34%	\$ 5,000	\$ 507	\$ 1,981	40%
OE12 Telephone/Pager Service	\$ 5,000	\$ 336	\$ 1,782	36%	\$ 5,000	\$ 354	\$ 1,753	35%
OE13 Internet Service	\$ 1,200	\$ 180	\$ 540	45%	\$ 1,200	\$ 75	\$ 375	31%
OE14 Office Supplies/Postage	\$ 5,000	\$ 385	\$ 2,721	54%	\$ 4,500	\$ -	\$ 2,790	62%
OE15 Office Equipment Repair/Replacement	\$ 3,000	\$ -	\$ 3,021	101%	\$ 2,300	\$ -	\$ 1,943	84%
OE16 Gate Maintenance & Opener Purchase	\$ 4,000	\$ -	\$ 841	21%	\$ 4,000	\$ -	\$ 125	3%
OE17 Street & Main Gate Lighting Maint/Repair	\$ 13,500	\$ -	\$ 5,227	39%	\$ 13,500	\$ -	\$ 5,516	41%
OE18 Landscape Supplies & Repairs	\$ 21,000	\$ 443	\$ 18,516	88%	\$ 21,000	\$ 30	\$ 18,077	86%
OE19 Landscape Equipment Repair/Replacement	\$ 10,000	\$ -	\$ 11,284	113%	\$ 16,500	\$ 2,324	\$ 15,783	96%
OE21 Landscape Equipment Gas & Oil	\$ 7,000	\$ 1,113	\$ 3,403	49%	\$ 7,000	\$ 135	\$ 1,150	16%
OE22- Mosquito Control Products	\$ 14,513	\$ 61	\$ 5,092	35%	\$ 13,500	\$ 1,466	\$ 4,454	33%
OE22- Mosquito Abatement Monitoring & Testing	\$ 3,000	\$ 126	\$ 1,432	48%	\$ 3,000	\$ 295	\$ 1,105	37%
OE22- Mosquito Abatement Vehicles Gas & Oil	\$ 13,000	\$ 1,127	\$ 4,859	37%	\$ 13,000	\$ 1,275	\$ 6,595	51%
OE22- Mosquito Abatement Equipment Maintenance	\$ 5,890	\$ 61	\$ 2,817	48%	\$ 5,000	\$ 2,976	\$ 2,976	60%
OE26 County Fees/LAFCO	\$ 6,000	\$ -	\$ 2,953	49%	\$ 6,500	\$ 2,805	\$ 2,805	43%
OE30 Reimbursable Maint/Repair Expense (2)	\$ 10,000	\$ -	\$ 9,724	97%	\$ -	\$ 1,118	\$ 3,157	-3157%
OE31 Records Management Services	\$ 2,400	\$ -	\$ -	0%	\$ -	\$ -	\$ -	0%
Total Operational Expenses:	\$ 219,554	\$ 17,302	\$ 128,764	59%	\$ 160,600	\$ 21,695	\$ 89,032	55%
Personnel Expenses								
PE01 Worker Compensation Insurance	\$ 14,241	\$ -	\$ 18,724	131%	\$ 16,000	\$ 2,580	\$ 5,144	32%
PE02 Health Insurance	\$ 60,000	\$ 4,927	\$ 26,274	44%	\$ 58,780	\$ 3,845	\$ 19,996	34%
PE03 Payroll Taxes	\$ 23,972	\$ 1,447	\$ 11,062	46%	\$ 28,000	\$ 1,573	\$ 9,494	34%
PE04 Processing Fees	\$ 1,400	\$ 115	\$ 754	54%	\$ 1,400	\$ 115	\$ 583	42%
PE05 Directors Stipend	\$ 6,000	\$ -	\$ -	0%	\$ 6,000	\$ -	\$ -	0%
PE06 Employee Wages	\$ 264,558	\$ 18,697	\$ 124,159	47%	\$ 310,000	\$ 17,935	\$ 103,375	33%
Total Personnel Expenses:	\$ 370,171	\$ 25,186	\$ 180,973	49%	\$ 420,180	\$ 26,048	\$ 138,592	33%

SADDLE CREEK COMMUNITY SERVICES DISTRICT
BUDGET AND PROFIT & LOSS REPORT
 June 2015

	Current Year - 2015				Prior Year - 2014			
	Approved BUDGET	CURRENT MONTH	YEAR TO DATE	% of Budget	Adjusted BUDGET	CURRENT MONTH	YEAR TO DATE	% of Budget
Capital Outlay								
CO04 2015 Chevrolet Silverado (2014)					\$ 30,799			
CO04 (2) Workman MDX Cart (2014)					\$ 22,768			
CO04 Workman HD w/Bed (2014)	\$ -				\$ 17,499	\$ -		
Total Capital Outlay:	\$ -	\$ -	\$ -		\$ 71,066	\$ -	\$ -	
TOTAL EXPENSES	\$ 589,725	\$ 42,488	\$ 309,737	53%	\$ 651,846	\$ 47,743	\$ 227,624	35%
INCOME								
Assessment Income								
Payment No. 1:			\$ 228,910			\$ 224,421		
Payment No. 2:								
Payment No. 3:								
Total Assessment Income	\$ 572,275	\$ -	\$ 228,910		\$ 561,053	\$ -	\$ 224,421	
(2) Reimbursement Income/Receivable								
SDRMA Gate Repairs			\$ 6,723					
SDRMA Gate repairs			\$ 1,472					
G. Hebard - Personal portion Lodging/Meals			\$ 248					
SDRMA - Loss Prevention Allocation			\$ 1,000					
Castle & Cooke Tractor/Equipment Repairs			\$ 357		\$ 1,047	\$ 4,204		
Total Reimbursement Income	\$ 10,000	\$ -	\$ 9,799		\$ -	\$ 1,047	\$ 4,204	
Miscellaneous Income								
Castle & Cooke Weed Abatement	\$ -	\$ -						
Lot Owners Weed Abatement	\$ -	\$ -						
IN03 Lot Owners Gate Openers/Cards			\$ 214		\$ 37	\$ 213		
IN05 Umpqua Bank CD Interest			\$ 90			\$ 125		
IN06 Calaveras County Interest Received			\$ 284			\$ 154		
Various Other Miscellaneous					\$ 13	\$ 14		
Total Miscellaneous Income	\$ 8,000	\$ -	\$ 589		\$ 50	\$ 506		
TOTAL INCOME	\$ 590,275	\$ -	\$ 239,298		\$ 561,053	\$ 1,097	\$ 229,131	
Net Income	\$ 550	\$ (42,488)	\$ (70,439)		\$ (90,793)	\$ (46,646)	\$ 1,507	

Saddle Creek Comm Srvs District
Check Detail
June 2015

Date	Num	Name	Memo/Description	Amount
06/01/2015	1786	Kampa Community Solutions, LLC		(4,750.00)
06/03/2015		ACH Debit Intuit Full Service Payroll		(115.00)
06/05/2015	1787	California State Disbursement Unit		(118.50)
06/05/2015	DD	DOLORES C BAKER	Pay Period: 05/16/2015-05/31/2015	(275.37)
06/05/2015	DD	Mark A. Dunlop	Pay Period: 05/16/2015-05/31/2015	(933.37)
06/05/2015	DD	Gregory Hebard	Pay Period: 05/16/2015-05/31/2015	(2,192.47)
06/05/2015	DD	HERNAN M HERNANDEZ	Pay Period: 05/16/2015-05/31/2015	(933.37)
06/05/2015	DD	Ralph M. McGeorge	Pay Period: 05/16/2015-05/31/2015	(1,494.27)
06/05/2015	DD	MICHELE L MENZIES	Pay Period: 05/16/2015-05/31/2015	(104.33)
06/05/2015	DD	BRADLEY D NICKELL	Pay Period: 05/16/2015-05/31/2015	(173.70)
06/05/2015	DD	CODY L PONDER	Pay Period: 05/16/2015-05/31/2015	(887.91)
06/10/2015		ACH Debit CA EDD	Tax Payment for Period: 06/03/2015-06/05/2015	(413.65)
06/10/2015		ACH Debit IRS	Tax Payment for Period: 06/03/2015-06/05/2015	(2,664.61)
06/16/2015	1788	Bank of the West	May Statement	(9,996.52)
06/16/2015	1789	Custom Equipment Co., Inc		(100.00)
06/16/2015	1790	Ewing		(372.26)
06/16/2015	1791	Greg Hebard		(57.00)
06/16/2015	1792	Merced County Mosquito Abatement		(150.00)
06/16/2015	1793	SDRMA-Health Ins.		(4,926.60)
06/16/2015	1794	Univar USA Inc.		(502.36)
06/19/2015	DD	DOLORES C BAKER	Pay Period: 06/01/2015-06/15/2015	(126.99)
06/19/2015	DD	Mark A. Dunlop	Pay Period: 06/01/2015-06/15/2015	(1,017.58)
06/19/2015	DD	Gregory Hebard	Pay Period: 06/01/2015-06/15/2015	(2,192.47)
06/19/2015	DD	HERNAN M HERNANDEZ	Pay Period: 06/01/2015-06/15/2015	(1,017.59)
06/19/2015	DD	Ralph M. McGeorge	Pay Period: 06/01/2015-06/15/2015	(1,494.27)

Saddle Creek Comm Srvs District
Check Detail
 June 2015

Date	Num	Name	Memo/Description	Amount
06/19/2015	DD	MICHELE L MENZIES	Pay Period: 06/01/2015-06/15/2015	(25.22)
06/19/2015	DD	CODY L PONDER	Pay Period: 06/01/2015-06/15/2015	(972.14)
06/20/2015		1795 California State Disbursement Unit		(118.50)
06/24/2015	ACH Debit	CA EDD	Tax Payment for Period: 06/17/2015-06/19/2015	(428.26)
06/24/2015	ACH Debit	IRS	Tax Payment for Period: 06/17/2015-06/19/2015	(2,703.72)
06/25/2015	ACH Debit	PG&E - 7193		(280.60)
			Total	<u>(41,538.63)</u>

July 15, 2015

Dave Eggerton
General Manager
Calaveras County Water District
120 Toma Court
P.O. Box 846
San Andreas, CA 95249

Re: Saddle Creek Golf Course and CCWD Water Deliveries

Dear Mr. Eggerton,

Abbott & Kindermann, LP (A&K) represents Castle & Cooke California, Inc. (“CCCI”) in matters pertaining to the Saddle Creek Golf Course in Copperopolis, Calaveras County (“Golf Course”). You may recall that we met a month ago with your counsel Matt Weber on another matter in Calaveras County and we briefly mentioned a future meeting regarding the Golf Course. The purpose of this correspondence is to provide a context for our discussions. We have a history on this project because A&K represented the original developers of Saddle Creek and later represented CCCI as outside counsel. The matters I worked on included the permitting of the Golf Course jurisdictional wetlands and the tertiary treatment pond system, the original NDPES discharge permit and the original 1994 Water and Sewer Service Facilities Agreement (“Agreement”) between the Calaveras County Water District (“District”) and CCCI. Therefore, the following summary is based on our notes, files and recollections. We look forward to your input and a meeting with you and your team this week if possible.

Background

CCCI continues to appreciate the District’s ongoing efforts to provide water deliveries to the Golf Course. Specifically, prior to 2015, the District has consistently provided 1.2 million gallons per day (“gpd”) through a combination of tertiary treated water and raw water to the Golf Course, including the wetlands treatment system consistent with the 1994 Agreement. Recently however, the District has reduced water deliveries to 450,000 gpd of tertiary treated water and 140,000 gpd of raw water to the Golf Course. Rick Morgan, the Golf Course General Manager contacted CCWD and after negotiations, CCWD agreed to provide an additional 100,000 gpd of raw water. Nonetheless, no raw or blended water is being provided to maintain the wetlands treatment system.

The Golf Course ponds are suffering the consequences of an inadequate water supply and in particular, CCCI is concerned about the immediate loss of its wetlands and associated treatment system. This wetlands treatment system was specifically engineered and permitted under section 404 of the Clean Water Act (“404 Permit”) to ensure that treated effluent was not discharged directly into waters of the U.S. without filtering through the retained treatment ponds. In conjunction with the loss of the Golf Course wastewater treatment system, is the loss of the jurisdictional waters and habitat and attendant legal vulnerability for failure to maintain the entire wetlands ecosystem as required by the 404 Permit.

The Golf Course was engineered and permitted with what essentially is a dual pond system to enable the District to discharge tertiary treated water onto the Golf Course. To accommodate the District’s urgent need to address its Notice of Violation from the Central Valley Regional Water Quality Control Board (“RWQCB”) for inadequate freeboard limitations, plus seepage and surfacing of wastewater down gradient of Pond 5 and Pond 6, and for its tailwater return pond, CCCI’s predecessor worked closely with CCWD, the United States Army Corps of Engineers (“USACE”) and the RWQCB to design the Golf Course in such a manner as to relieve the District of its overflow issues, while simultaneously providing a continuous source of water for the entire Golf Course, including its jurisdictional waters treatment system.

CCCI is optimistic that the District can continue to provide the water needed to keep the Golf Course vital and in compliance with all of its permits associated with the preservation of jurisdictional waters and habitat, and other permits related to the discharge of treated water on the Golf Course. A brief background of the permits may be helpful in examining the need to maintain the pond system.

USACE 404 Permit

As mentioned above, the Golf Course property contained jurisdictional waters that were to be preserved on site to minimize the fill in jurisdictional waters as required under Section 404 of the Clean Water Act. The fill was limited to 1.85 acres. The Golf Course design incorporated wetland features and a cleansing pond system that includes several man-made and natural lakes, including Mitchell Lake. The 404 permit No. 199100807 requires a continuous supply of water to maintain minimum water levels in the Golf Course wetlands, ponds, and for downstream flows. The Golf Course irrigation system consists of a series of storage ponds with interconnected conveyance lines. The 404 Permit requires the direct discharge of reclaimed water to jurisdictional wetlands. These wetlands were designed to accommodate mitigation and cleansing purposes within the Golf Course Property in order to maintain the wetland environment and habitat. The 404 permit designated specific wetlands as cleansing ponds and required that all wetlands in the system be fully protected and preserved in perpetuity.

NPDES Permit

CCWD and the Golf Course are joint dischargers under RWQCB Order R5-2013-0072 and NPDES Permit No. CA0084620. This NPDES Permit is required for the discharge of

CCWD's tertiary treated wastewater onto the Golf Course. Without this permit, CCWD cannot legally discharge its tertiary treated wastewater. The NPDES permit allows the direct discharge of reclaimed tertiary treated water into the jurisdictional wetlands treatment system on the Golf Course and insures the permanent preservation of wetlands and associated habitat as required by the 404 permit discussed above. Three NPDES references to the 404 permit wetland treatment pond levels include the following.

First, the NPDES permit specifically underscores the water balance required for the wetlands treatment system comprised of treatment ponds and the wetlands. Finding IIB on Page 4 of the NPDES Permit states as follows: *"The 404 permit requires that all ponds and wetland areas have a continuous supply of water to maintain minimum levels. Therefore, SCGC uses water in Pond NC-2D when necessary to supply make-up water to the wetlands, excluding Mitchell Lake, which is tributary to Littlejohns Creek."*

Second, on pages 10 and 11, the NPDES Permit further states as follows: *"THEREFORE, IT IS HEREBY ORDERED, ...the Discharger shall comply with the requirements in this Order."*

III. DISCHARGE PROHIBITIONS

A. Surface Water Discharge Prohibitions

- 1. Discharge of wastewater at a location or in a manner different from that described in the Findings is prohibited."*

Third, the Fact Sheet attached as Exhibit F to the NPDES Permit further states: *"When the demand for irrigation water exceeds the supply of recycled water, CCWD provides raw water from Lake Tulloch, which is piped to the recycled water storage tank where it comingles with recycled water, if present, and then discharged to Pond NC-2D. ... The jurisdictional wetland system is regulated by a U.S. Army Corps of Engineers Clean Water Act Section 404 permit (404 permit). The wetland system includes several man-made and natural lakes, including Mitchell Lake. The 404 permit requires that all ponds and wetland areas have a continuous supply of water to maintain minimum levels. Therefore, SCGC uses water in Pond NC-2D when necessary to supply make-up water to the other wetlands, excluding Mitchell Lake which is tributary to Littlejohns Creek."* See NPDES Permit Attachment F – Fact Sheet at pages F-14 – F-15.

These are but 3 examples of how the NPDES permit was partially driven by the need to maintain a healthy wetland environment in perpetuity and all waters require adequate water to accomplish that legal obligation.

We understand that the District is examining ways to eventually eliminate the NPDES Permit. We are willing to continue our discussions with the District on the potential elimination of the NPDES Permit. Until that occurs, however, compliance with the NPDES Permit is required and remains the only means by which the District can discharge wastewater and by which the Golf Course can remain in compliance with its permit obligations.

Mr. Dave Eggerton
Calaveras County Water District
July 15, 2015
Page 4 of 4

Water and Sewer Facilities Agreement (1994)

The 1994 Agreement further orchestrated the water exchange between the District and CCCI for the Golf Course. In sum, the District agreed to provide raw water as available to supplement the treated water as necessary to meet the Golf Course (the Owner's) irrigation requirements (See Section 11, page 5). Additionally, section 12(c) of the 1994 Agreement, at page 6 states that in the event there is not sufficient irrigation water available nor raw water available for Golf Course irrigation purposes, the District agrees to provide potable water for irrigation purposes at the District's applicable potable water rate. Furthermore, section 12(d) of the WSSFA further provides:

“(d) Owner agrees to provide at least 125 acres of its real property for the disposal of treated irrigation water. In exchange for that, District agrees that Owner shall have the first right of refusal to all treated irrigation water and the first right of refusal to raw water for golf course irrigation purposes.”

CCCI understands that the District is managing its water supplies in light of the drought. However, by withholding the raw water deliveries which are required in order to maintain the Golf Course wetlands ecosystem, the District is jeopardizing its ability to discharge treated effluent on the Golf Course which is the District's only authorized spray field. Further, according to the 1994 Agreement, where there is raw water available, the Golf Course has the first right to receive the raw water that is available and when sufficient raw water is not available, the District is obligated to provide potable water to the Golf Course for irrigation purposes.

CCCI appreciates the District's review of these interlocking permits and the Agreement, and looks forward to meeting with you as soon as possible to address our water and permit compliance obligations. I will contact your office in the next few days to schedule a meeting.

Very Truly Yours,



Diane G. Kindermann



DKH/sb

Cc: Scott Thayer (Via Email)
Mark Jones (Via Email)
Rick Morgan (Via Email)

**SADDLE CREEK
COMMUNITY SERVICES DISTRICT**

**FINANCIAL STATEMENTS
Modified Cash Basis**

DECEMBER 31, 2014

SADDLE CREEK COMMUNITY SERVICES DISTRICT

Table of Contents

Independent Auditor’s Report	1
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	3
Statement of Activities	4
Fund Financial Statements	
Governmental Funds:	
Balance Sheet	5
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position – Governmental Activities	6
Statement of Revenues, Expenditures and Changes in Fund Balances	7
Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances of Governmental Funds to the Government-Wide Statement of Activities – Governmental Activities	8
Notes to the Financial Statements	9
Required Supplementary Information:	
Budgetary Comparison Schedule:	
General Fund	16
Note to the Required Supplementary Information	17
Report On Internal Control over Financial Reporting	18

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, 2014, 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, 2014, 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 May 3, 2015 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
May 3, 2015

SADDLE CREEK COMMUNITY SERVICES DISTRICT

**Statement of Net Position
Modified Cash Basis
December 31, 2014**

	<u>Governmental Activities</u>
Assets	
Current assets	
Cash and investments	\$ 643,725
Total current assets	<u>643,725</u>
Capital assets:	
Easements	10,344,000
Equipment	283,139
Buildings	79,000
Infrastructure-Roads	2,360,462
Less: accumulated depreciation	<u>(816,704)</u>
Total Capital Assets-Net	<u>12,249,897</u>
 Total Assets	 \$ <u><u>12,893,622</u></u>
 Net Position	
Net Investment in capital assets	\$ 12,249,897
Unrestricted	<u>643,725</u>
 Total Net Postion	 \$ <u><u>12,893,622</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, 2014**

	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Capital Grants and Contributions</u>
Governmental Activities:			
Community service	\$ <u>559,510</u>	\$ <u>567,225</u>	\$ <u>16,000</u>
Total Governmental Activities	\$ <u><u>559,510</u></u>	\$ <u><u>567,225</u></u>	\$ <u><u>16,000</u></u>

General Revenues:
Investment income
Other
Total general revenues
Change in net position
Net position - beginning
Net position - ending

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, 2014**

	General Fund	Totals Governmental Funds
	<u> </u>	<u> </u>
Assets		
Cash and investments	\$ 643,725	\$ 643,725
Total Assets	<u>\$ 643,725</u>	<u>\$ 643,725</u>
Liabilities and Fund Balance		
Liabilities		
Accrued liabilities	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>
Fund Balance		
Assigned	335,173	335,173
Unassigned	<u>308,552</u>	<u>308,552</u>
Total Fund Balance	<u>\$ 643,725</u>	<u>\$ 643,725</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, 2014**

Fund Balances of Governmental Funds \$ 643,725

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. 12,249,897

Net position of governmental activities \$ 12,893,622

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, 2014**

	General Fund	Total Governmental Funds
	<u> </u>	<u> </u>
Revenues		
Use of money and property	\$ 618	\$ 618
Charges for services-maintenance assessment	567,225	567,225
Other	<u>10,941</u>	<u>10,941</u>
Total Revenues	<u>578,784</u>	<u>578,784</u>
Expenditures		
Current:		
Community services	503,199	503,199
Debt service		
Principal	-	-
Capital outlay		
Equipment	<u>71,067</u>	<u>71,067</u>
Total Expenditures	<u>574,266</u>	<u>574,266</u>
Excess of revenues over expenditures	4,518	4,518
Fund Balance, January 1	<u>639,207</u>	<u>639,207</u>
Fund Balance, December 31	<u><u>\$ 643,725</u></u>	<u><u>\$ 643,725</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, 2014**

Net Change in Fund Balances - Total Governmental Funds \$ 4,518

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	87,067
Depreciation expense	<u>(56,311)</u>

Change in net position of governmental activities \$ 35,274

SADDLE CREEK COMMUNITY SERVICES DISTRICT

Notes to the Financial Statements December 31, 2014

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 Governmental Accounting Standards Board Statement No. 61.

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, 2014

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, 2014

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 2013/2014 fiscal year assessment was as follows:

Improved lots	\$1,001.88 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, 2014**

Note 2: Cash and Investments

Cash at December 31, 2014 consisted of the following:

General checking	\$	205,544
General savings		126,199
Cash with county		<u>311,982</u>
Total	\$	<u><u>643,725</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>13-48 Months</u>
Calaveras County*	\$ 311,982	\$ 311,982	\$ -
Totals	\$ 311,982	\$ 311,982	\$ -

* Not subject to categorization

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.

SADDLE CREEK COMMUNITY SERVICES DISTRICT

Notes to the Financial Statements December 31, 2014

Note 2: Cash and Investments (continued)

B. Disclosures Relating to Interest Rate Risk (continued)

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, 2014, the District's deposits balance, including certificates of deposit, was \$367,183 and the carrying amount was \$331,743. 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, 2014**

Note 3: Property Plant and Equipment

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

	<u>Balance</u>			<u>Balance</u>
	<u>January 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31, 2014</u>
Governmental Activities				
Capital assets, not being depreciated				
Easements	\$ 10,344,000	\$ -	\$ -	\$ 10,344,000
Capital assets, being depreciated				
Equipment	196,072	87,067	-	283,139
Buildings	79,000	-	-	79,000
Roads	2,360,462	-	-	2,360,462
Total capital assets, being depreciated	<u>2,635,534</u>	<u>87,067</u>	<u>-</u>	<u>2,722,601</u>
Less accumulated depreciation for;				
Equipment	(175,727)	(7,522)	-	(183,249)
Buildings	(15,010)	(1,580)	-	(16,590)
Roads	(569,656)	(47,209)	-	(616,865)
Total accumulated depreciation	<u>(760,393)</u>	<u>(56,311)</u>	<u>-</u>	<u>(816,704)</u>
Total capital assets, being depreciated, net	<u>1,875,141</u>	<u>30,756</u>	<u>-</u>	<u>1,905,897</u>
Total governmental activities, capital assets, net	<u>\$ 12,219,141</u>	<u>\$ 30,756</u>	<u>\$ -</u>	<u>\$ 12,249,897</u>

Note 4: 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 5: Gann Limit

Proceeds subject to GANN Limit for 2014	\$ 578,784
GANN limit for 2014	<u>1,117,800</u>
Amount (under)/over limit	<u>\$ (539,016)</u>

Note 6: 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.

SADDLE CREEK COMMUNITY SERVICES DISTRICT

**Notes to the Financial Statements
December 31, 2014**

Note 7: 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.

The District has open lines of credit with various vendors for purchase of supplies.

SADDLE CREEK COMMUNITY SERVICES DISTRICT

**Required Supplementary Information
Budgetary Comparison Schedule-General Fund
Modified Cash Basis
December 31, 2014**

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Revenues				
Use of money and property	\$ -	\$ -	\$ 618	\$ 618
Charges for services-property assessments	561,053	561,053	567,225	6,172
Other	-	-	10,941	10,941
Total Revenues	<u>561,053</u>	<u>561,053</u>	<u>578,784</u>	<u>17,732</u>
Expenditures				
Salaries and benefits	420,180	320,580	301,821	18,759
Services and supplies	160,600	189,100	201,378	(12,278)
Capital outlay	-	71,100	71,067	33
Total Expenditures	<u>580,780</u>	<u>580,780</u>	<u>574,266</u>	<u>6,514</u>
Excess of revenues over expenditures	<u>\$ (19,727)</u>	<u>\$ (19,727)</u>	4,518	<u>\$ 24,246</u>
Fund Balance, January 1, 2014			<u>639,207</u>	
Fund Balance, December 31, 2014			<u>\$ 643,725</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, 2014**

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

2148 Frascati Drive, El Dorado Hills, CA 95762 / 916.601-8894

lpbain@sbcglobal.net

INDEPENDENT AUDITOR'S 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 2014, and have issued our report thereon dated May 3, 2015. 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.

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 14-1 through 14-2 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
May 3, 2015

SADDLE CREEK COMMUNITY SERVICES DISTRICT

Findings and Recommendations December 31, 2014

Significant Deficiencies Not Deemed Material Weaknesses

FS 14-1: 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 14-2 (Prior Year Finding 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/initial on the Maintenance Manager timecard.

Current year follow up: No change.

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.



To: All SCCSD employees
From: GM Peter J. Kampa
CC: SCCSD Board of Directors
RE: New Sick Leave Policy Requirements

A new California law became effective July 1, 2015, called the Healthy Workplaces, Healthy Families Act of 2014. In summary, this law requires that the District provide employees who work more than 30 days per year with paid sick leave, as summarized below and described in more detail on the form enclosed; prepared specific to your employment circumstances. Our current sick leave policy will be amended at the CSD Board's July 21, 2015 meeting and these changes described are effective as of July 1, 2015 as follows:

- The amount of annual sick leave required by the law is based on the number of hours you work, and we are to provide you beginning July 1, 2015 a minimum of one (1) hour of sick leave for every thirty (30) hours of work time. Our current policy, provides for 3.34 hours per month sick leave accrual, and the policy amendment will reflect this new rate of sick leave accrual at 5.87 hours per month (full time employees) and at the rate of one hour for every 30 hours for eligible part time employees.
- The allowed use of sick leave is expanded to include sick leave use for:
 - Diagnosis, care, or treatment of an existing health condition of, or preventive care for, an employee or an employee's family member.
 - For an employee who is a victim of domestic violence, sexual assault, or stalking (to obtain or attempt to obtain any relief, including, but not limited to, a temporary restraining order, restraining order, or other injunctive relief, to help ensure the health, safety, or welfare of the victim or his or her child)
 - Required participation in a trial or other court proceeding related to domestic violence, sexual assault, or stalking.
- The definition of Family is expanded to include, and paid sick leave authorized for care for:
 - A biological, adoptive, or foster parent, stepparent, or legal guardian of an employee or the employee's spouse or registered domestic partner, or a person who stood in loco parentis when the employee was a minor child
 - Spouse, sibling, grandparent, grandchildren, spouse and registered domestic partner

If you have any questions, please do not hesitate to contact me directly at (209) 694-7023 or (209) 591-7100 (cell)