

**SADDLE CREEK COMMUNITY SERVICE DISTRICT**

**Notes to the Financial Statements  
December 31, 2009**

**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, 2009:

<b>Governmental Activities:</b>	Balance 1/1/2009	Additions	Retirements	Balance 12/31/2009	Due within one year
Capital lease	\$ -	\$ 37,529	\$ 6,255	\$ 31,274	\$ 9,382
Totals	\$ -	\$ 37,529	\$ 6,255	\$ 31,274	\$ 9,382

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%.

**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**

Amount of subject proceeds for 2009	\$512,778
Gann limit for 2009	<u>1,091,048</u>
Amount (under)/over limit	<u>(\$578,270)</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 Additionally, Proposition 218 provides that these taxes and assessments are subject to voter initiative and may be rescinded in the future years by the voters.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.