

**SARATOGA CEMETERY DISTRICT**

**AUDIT REPORT**

**JUNE 30, 2011**

**SARATOGA CEMETERY DISTRICT  
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JUNE 30, 2011**

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**FINANCIAL SECTION**

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INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Saratoga Cemetery District  
Saratoga, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Saratoga Cemetery District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Saratoga Cemetery District's management. Our responsibility is to express opinions 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Saratoga Cemetery District, as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The required supplementary information, such as budgetary comparison information on page 25 is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

The Saratoga Cemetery District has not presented management's discussion and analysis that the Governmental Accounting Standards Board have determined is necessary to supplement, although not required to be part of, the basic financial statements.

*Christy White Accountancy Corp*  
Rancho Cucamonga, CA  
August 19, 2011



**BASIC FINANCIAL STATEMENTS**

**SARATOGA CEMETERY DISTRICT  
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS BALANCE SHEET  
JUNE 30, 2011**

	<b>Fund Financial Statement</b>			<b>Total Governmental Funds</b>
	<b>General Fund</b>	<b>Capital Acquisition Fund</b>	<b>Permanent Fund</b>	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 433,711	\$ 886,857	\$ 934	\$ 1,321,502
Investments	-	2,429,920	2,127,549	4,557,469
Accounts receivable	1,382	13,460	16,212	31,054
Pre-paid Expenditures	446	-	-	446
Stores inventory	15,548	-	-	15,548
Capital assets, net	-	-	-	-
<b>Total Assets</b>	<b>\$ 451,087</b>	<b>\$ 3,330,237</b>	<b>\$ 2,144,695</b>	<b>\$ 5,926,019</b>
<b>LIABILITIES</b>				
Accrued Liabilities	\$ 19,714	\$ 28,218	\$ -	47,932
Deposits Held - Rental Property	-	-	-	-
Compensated Absenses	-	-	-	-
<b>Total Liabilities</b>	<b>19,714</b>	<b>28,218</b>	<b>-</b>	<b>47,932</b>
<b>FUND BALANCES/NET ASSETS</b>				
Fund Balances:				
Unspendable	15,994		2,144,695	2,160,689
Assigned		3,302,019		3,302,019
Unassigned	415,379	-	-	415,379
<b>Total Fund Balances</b>	<b>431,373</b>	<b>3,302,019</b>	<b>2,144,695</b>	<b>5,878,087</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 451,087</b>	<b>\$ 3,330,237</b>	<b>\$ 2,144,695</b>	<b>\$ 5,926,019</b>
Net Assets:				
Capital Assets net of related debt				
Restricted Endowment				
Unrestricted				
<b>Total Net Assets</b>				

The accompanying notes are an integral part of these financial statements.

Adjustments (Note 3 A.)	Government-Wide Statement	
	Statement of Net Assets	
\$ -	\$ 1,321,502	
-	4,557,469	
-	31,054	
-	446	
-	15,548	
<u>2,261,799</u>	<u>2,261,799</u>	
<u>\$ 2,261,799</u>	<u>\$ 8,187,818</u>	
-	47,932	
1,000	1,000	
<u>14,833</u>	<u>14,833</u>	
<u>15,833</u>	<u>63,765</u>	
(901,039)	1,259,650	
(4,561,669)	(1,259,650)	
<u>(415,379)</u>	<u>-</u>	
<u>(5,878,087)</u>	<u>-</u>	
<u>\$ (5,862,254)</u>		
2,261,799	2,261,799	
2,144,695	2,144,695	
<u>3,717,559</u>	<u>3,717,559</u>	
<u>\$ 8,124,053</u>	<u>\$ 8,124,053</u>	

**SARATOGA CEMETERY DISTRICT  
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2011**

	Fund Financial Statement			Total Governmental Funds
	General Fund	Capital Acquisition Fund	Permanent Fund	
<b>REVENUES</b>				
Property taxes	\$ 628,030	\$ -	\$ -	\$ 628,030
Intergovernmental	4,345	-	-	4,345
Charges for services	136,191	186,470	-	322,661
Rental Income	-	21,135	-	21,135
Investment Income	5,058	46,542	62,715	114,315
Endowment care	-	-	39,825	39,825
Other Revenue	1,691	-	-	1,691
<b>Total Revenues</b>	<u>775,315</u>	<u>254,147</u>	<u>102,540</u>	<u>1,132,002</u>
<b>EXPENDITURES/EXPENSES</b>				
Salaries and benefits	227,836	-	-	227,836
Services and supplies	260,872	112,808	-	373,680
Capital outlay	-	143,860	-	143,860
Depreciation	-	-	-	-
<b>Total Expenditures/Expenses</b>	<u>488,708</u>	<u>256,668</u>	<u>-</u>	<u>745,376</u>
<b>Excess (Deficiency) of Revenues Over Expenditures/Expenses</b>	286,607	(2,521)	102,540	386,626
<b>Other Financing Sources (Uses):</b>				
Transfers In	43,703	502,827	0	546,530
Transfers Out	(521,004)	(2,140)	(4,988)	(528,132)
<b>Net Financing Sources (Uses)</b>	<u>(477,301)</u>	<u>500,687</u>	<u>(4,988)</u>	<u>18,398</u>
<b>NET CHANGE IN FUND BALANCE</b>	(190,694)	498,166	97,552	405,024
<b>NET CHANGE IN NET ASSETS</b>				
<b>Fund Balances/Net Assets - Beginning</b>	<u>622,067</u>	<u>2,803,853</u>	<u>2,047,143</u>	<u>5,473,063</u>
<b>Fund Balances/Net Assets - Ending</b>	<u>\$ 431,373</u>	<u>\$ 3,302,019</u>	<u>\$ 2,144,695</u>	<u>\$ 5,878,087</u>

The accompanying notes are an integral part of these financial statements.



	<u>Government-Wide Statement</u>
<u>Adjustments (Note 3 B.)</u>	<u>Statement of Activities</u>
\$ -	\$ 628,030
-	4,345
18,398.00	341,059
-	21,135
-	114,315
-	39,825
0	1,691
18,398	1,150,400
162	227,998
(123,134)	250,546
(113,010)	30,850
47,251	47,251
(188,731)	556,645
207,129	593,755
(18,398)	528,132
-	(528,132)
(18,398)	-
188,731	593,755
	7,530,298
\$ -	\$ 8,124,053

SARATOGA CEMETERY DISTRICT  
FIDUCIARY FUNDS  
STATEMENT OF NET ASSETS  
JUNE 30, 2011

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	<u>Pre-Need Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 44,699
Investments	442,124
Accounts receivable	<u>3,232</u>
<b>Total Assets</b>	<u><u>\$ 490,055</u></u>
<b>LIABILITIES</b>	
Due to Pre-Need	<u>480,399</u>
<b>NET ASSETS</b>	
<b>Total Net Assets</b>	<u>9,656</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 490,055</u></u>

SARATOGA CEMETERY DISTRICT  
 FIDUCIARY FUNDS  
 STATEMENT OF CHANGES IN NET ASSETS  
 FOR THE YEAR ENDED JUNE 30, 2011

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	<u>Pre-Need Fund</u>
<b>ADDITIONS</b>	
Charges for Service	\$ 19,294
Investment Income	8,759
Interfund transfers in and other sources	<u>21,005</u>
<b>Total Additions</b>	<u>49,058</u>
<b>DELETIONS</b>	
Benefits	
Other trust activities	
Interfund transfers out and other uses	<u>39,402</u>
<b>Total Deletions</b>	<u>39,402</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>9,656</u>
Net Assets - Beginning	-
Net Assets - Ending	<u>\$ 9,656</u>

**SARATOGA CEMETERY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Financial Reporting Entity**

The Saratoga Cemetery District (District) was organized in August 1927 and operates in conformity with the provisions of Part 4 of Division 8 of the Health and Safety Code, commencing at Section 8890. The District currently maintains the Madronia Cemetery located at 14766 Oak Street in Saratoga, California. The District provides lower cost cemetery plots and burials for the residents and taxpayers, including their qualified relatives, located within the boundaries of the District. The current boundaries of the District include the cities of Saratoga and Monte Sereno, and portions of the County of Santa Clara that fall within the Saratoga Union Elementary School District. The District is governed by a five member Board of Trustees appointed by the County of Santa Clara's Board of Supervisors for a term of four years.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, and agencies that are not legally separate from the District. For Saratoga Cemetery District, this includes general operations and endowment activities of the District.

**B. Component Units**

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. The District has no component units.

**C. Other Related Entities**

Joint Powers Authority (JPA). The District is associated with Special District Risk Management Authority. This organization does not meet the criteria for inclusion as a component unit of the District. Summarized financial statements are presented in Note 10.

**D. Basis of Presentation**

**Government-Wide Statements.** The statement of net assets and the statement of activities display information about the Saratoga Cemetery District (the District). These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenue, and other non-exchange transactions.

SARATOGA CEMETERY DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2011

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

D. Basis of Presentation (*continued*)

**Fund Financial Statements.** The fund financial statements provide information about the District's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

**Governmental funds** are used to account for activities that are governmental in nature. Governmental activities are typically tax-supported and include the basic operations of the District.

*Major Governmental Funds*

**General Fund.** The general fund is the main operating fund of the District. It is used to account for all activities except those that are required to be accounted for in another fund. In keeping with the minimum number of funds principle, all of a District's activities are reported in the general fund unless there is a compelling reason to account for an activity in another fund. A District may have only one general fund.

**Capital Project/Land Acquisition Fund.** This fund is used to account for resources that are restricted to the extent that earnings, but not principal, may be used for purposes that support the District's operations. The principal may never be spent.

**Endowment Fund.** This fund is used to account for resources that are restricted to the extent that earnings, but not principal, may be used for purposes that support the District's operations. The principal may never be spent.

**Fiduciary Fund**

These funds are used to account for assets held by the District in a trustee or agency capacity for others that cannot be used to support the District's own programs.

**Pre Need Fund**

The Pre-Need Burial Fund is a private-purpose trust fund which transfers funds from its earnings to the General fund to finance burial expenditures.

**SARATOGA CEMETERY DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2011**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. Basis of Accounting – Measurement Focus**

**Government-Wide Financial Statements**

The government-wide financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net assets restricted for other activities result from special revenue funds and the restrictions on their net asset use.

**Governmental Funds**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 180 days after year end. Property taxes, sales and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

**F. Assets, Liabilities, and Net Assets**

**Deposits and Investments**

The cash balances of substantially all funds are pooled and invested by the county treasurer for the purpose of increasing earnings through investment activities. The pool's investments are reported at fair value at June 30, 2010, based on market process. The individual funds' portions of the pool's fair value are presented as a part of "Cash and cash equivalents." Earnings on the pooled funds are apportioned and paid or credited to the funds quarterly based on the average daily balance of each participating fund.

**Cash and Cash Equivalents**

The District considers cash and cash equivalents to be cash on hand and demand deposits. In addition, because the Cash in County is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty, equity in the pool is also deemed to be a cash equivalent.

**SARATOGA CEMETERY DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2011**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**F. Assets, Liabilities, and Net Assets (continued)**

**Capital Assets**

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of donation. The District maintains a capitalization threshold of \$2,500. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Depreciation of capital assets is computed and recorded by the straight-line method over the following estimated useful life:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings	10 to 20 years
Site Improvements	5 to 15 years
Equipment	5 to 20 years

**Compensated Absences**

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the accounts payable in the fund from which the employees who have accumulated leave are paid. The non-current portion of the liability is not reported.

**Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

However, claims and judgments and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and long-term loans are recognized as liabilities in the governmental fund financial statements when due.

SARATOGA CEMETERY DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2011

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

F. Assets, Liabilities, and Net Assets (*continued*)

**Fund Balance Reserves and Designations**

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

**Nonspendable** - The nonspendable fund balance classification reflects amounts that are not in spendable form. Examples include inventory, prepaid items, the long-term portion of loans receivable, and nonfinancial assets held for resale. This classification also reflects amounts that are in spendable form but that are legally or contractually required to remain intact, such as the principal of a permanent endowment.

**Assigned** - The assigned fund balance classification reflects amounts that the government intends to be used for specific purposes. Assignments may be established either by the Governing Board or by a designee of the governing body, and are subject to neither the restricted nor committed levels of constraint. In contrast to the constraints giving rise to committed fund balance, constraints giving rise to assigned fund balance are not required to be imposed, modified, or removed by formal action of the Governing Board. The action does not require the same level of formality and may be delegated to another body or official. Additionally, the assignment need not be made before the end of the reporting period, but rather may be made any time prior to the issuance of the financial statements.

**Unassigned** - In the general fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes. However, deficits in any fund, including the general fund, that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The District has no related debt outstanding as of June 30, 2011. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.



SARATOGA CEMETERY DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2011

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

F. Assets, Liabilities, and Net Assets (*continued*)

**Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Interfund transfers are eliminated in the governmental column of the statement of activities.

**Estimates**

The preparation of the 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Budgetary Data**

The District adopts an annual budget on or before June 30. From the effective date of the budget, the amounts stated as proposed expenditures become appropriation.

The Board of Trustees may amend the budget by motion during each fiscal year. The original and revised budgets are presented for the General Fund.

All appropriations lapse at the end of the fiscal year to the extent that they have not been expended. Lease contracts entered into by the District are subject to annual review by the Board of Trustees; hence they legally are one year contracts with an option for renewal for another year.

**Encumbrances**

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is not utilized by the District.

G. Changes in Accounting Principle

For the fiscal year ended June 30, 2011, the District implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

**SARATOGA CEMETERY DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2011**

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**NOTE 2 – EXPLANATION OF DIFFERENCES BETWEEN THE FUND FINANCIAL STATEMENTS AND DISTRICT-WIDE STATEMENTS**

**A. Governmental Funds Balance Sheet and Statement of Net Assets**

**Total Fund Balance - Governmental Funds** \$ 5,878,087

Amounts reported for assets and liabilities for governmental activities in the statement of net assets are different from amounts reported in governmental funds because:

Capital assets:

In governmental funds, only current assets are reported.  
 In the statement of net assets, all assets are reported, including capital assets and accumulated depreciation:

	Capital assets	3,538,948	
	Accumulated depreciation	(1,277,149)	2,261,799

Long-term liabilities:

In governmental funds, only current liabilities are reported.  
 In the statement of net assets, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

	Compensated absences	(14,833)	
	Deposit held - rental property	(1,000)	(15,833)

**Total Net Assets - Governmental Activities** **\$ 8,124,053**

SARATOGA CEMETERY DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2011

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NOTE 2 – EXPLANATION OF DIFFERENCES BETWEEN THE FUND FINANCIAL STATEMENTS AND DISTRICT-WIDE STATEMENTS (continued)

**B. Governmental Funds Operating Statements and the Statement of Activities**

Net Change in Fund Balances - Governmental Funds \$ 405,024

Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:

Capital outlay:

In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired.

In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay:	\$ 235,820	
Depreciation expense:	<u>(47,251)</u>	188,569

Compensated absences

In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amount earned. The difference between compensated absences paid and compensated absences earned, was:

162

**Change in Net Assets of Governmental Activities \$ 593,755**

SARATOGA CEMETERY DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2011

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NOTE 3 – DEPOSITS AND INVESTMENTS

A. Summary of Deposits and Investments

**Statement of Net Assets:**

Cash on hand	\$ 100
Deposits in financial institutions	869,817
Cash in County	451,585
Investments	<u>4,557,469</u>
Subtotal	<u>5,878,971</u>

**Fiduciary Funds:**

Deposits in financial institutions	\$ 8,695
Cash in County	36,004
Investments	<u>442,124</u>
Subtotal	<u>486,823</u>
Total cash & cash equivalents	<u><u>\$ 6,365,794</u></u>

B. Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the state; U.S. Treasury instruments; registered state warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations; the San Luis Obispo County Investment Pool.

**Investment in County Treasury** – The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer. The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

SARATOGA CEMETERY DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2011

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NOTE 3 – DEPOSITS AND INVESTMENTS (continued)

C. General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U. S. Treasury Obligations	5 years	None	None
U. S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

SARATOGA CEMETERY DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2011

NOTE 3 – DEPOSITS AND INVESTMENTS (continued)

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the county pool and purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

**Specific Identification**

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investments by maturity:

<u>Investment</u>	<u>Carrying Amount</u>	<u>Maturity 12 Months or Less</u>	<u>Maturity 13 to 24 Months</u>	<u>Maturity 25 to 60 Months</u>	<u>Maturity More than 60 Months</u>
Deposits in financial institutions	\$ 878,512	\$ 878,512			
Cash held at District	100	100			
Local Agency Investment Fund	912,230				
Money market funds	37,748	37,748	-	-	-
Santa Clara County Investment Pool	487,589	-	-	-	-
Certificates-of-deposit	1,254,772	312,766	249,199	692,807	-
Mutual Funds	497,249	497,249	-	-	-
Medium-term notes	-	-	-	-	-
Corporate Bonds	716,196	64,683	156,962	442,711	51,840
Government Bonds	550,080	90,841	-	49,999	409,240
Foreign Bonds	212,189	-	-	-	212,189
FHLB	-	-	-	-	-
FHLMC	167,485	-	-	-	167,485
FMAC	-	-	-	-	-
FMNA	48,860	-	-	-	48,860
FNMA	111,368	95	-	-	111,273
GNMA	406,586	-	-	-	406,586
GMNA	84,830	-	-	-	84,830
	<u>\$ 6,365,794</u>	<u>\$ 1,881,994</u>	<u>\$ 406,161</u>	<u>\$ 1,185,517</u>	<u>\$ 1,492,303</u>

SARATOGA CEMETERY DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2011

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NOTE 3 – DEPOSITS AND INVESTMENTS (continued)

E. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in the county pool are not required to be rated. The Investment Agreements were not rated.

F. Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure 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 governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2011, the District's bank balance of \$878,512, FDIC has full insured \$250,000.

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts Receivable as of June 30, 2011.

	<u>General Fund</u>	<u>Capital Acquisition Fund</u>	<u>Permanent Fund</u>	<u>Total Governmental Funds</u>
Interest Income	<u>\$ 1,382</u>	<u>\$ 13,460</u>	<u>\$ 16,212</u>	<u>\$ 31,054</u>

**SARATOGA CEMETERY DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2011**

**NOTE 5 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	<u>Balance</u> <u>July 01, 2010</u>	<u>Additions</u>	<u>Balance</u> <u>June 30, 2011</u>
<b>Governmental Activities</b>			
Capital assets not being depreciated			
Land	\$ 1,690,158	\$ -	\$ 1,690,158
Construction in progress	-	123,134	123,134
Total Capital Assets not Being Depreciated	<u>1,690,158</u>	<u>123,134</u>	<u>1,813,292</u>
Capital assets being depreciated			
Land improvements	586,170	44,449	630,619
Buildings & improvements	892,587	68,561	961,148
Furniture & equipment	133,889	-	133,889
Total Capital Assets Being Depreciated	<u>1,612,646</u>	<u>113,010</u>	<u>1,725,656</u>
Less Accumulated Depreciation			
Land improvements	405,721	13,883	419,604
Buildings & improvements	694,119	31,639	725,758
Furniture & equipment	130,058	1,729	131,787
Total Accumulated Depreciation	<u>1,229,898</u>	<u>47,251</u>	<u>1,277,149</u>
<b>Governmental Activities</b> <b>Capital Assets, net</b>	<u><u>\$ 2,072,906</u></u>	<u><u>\$ 188,893</u></u>	<u><u>\$ 2,261,799</u></u>



SARATOGA CEMETERY DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2011

NOTE 6 – INTERFUND TRANSACTIONS – OPERATING TRANSFERS

<u>Transfers Out</u>	<u>General Fund</u>	<u>Capital Acquisition Fund</u>	<u>Total Governmental Funds</u>	<u>Fiduciary Funds</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 500,000	\$ 500,000	\$ 21,005	\$ 521,005
Capital Acquisition Fund	2,140	-	2,140	-	2,140
Permanent Fund	3,991	997	4,988	-	4,988
Fiduciary Funds	37,572	1,830	39,402	-	39,402
<b>Transfers In</b>	<u>\$ 43,703</u>	<u>\$ 502,827</u>	<u>\$ 546,530</u>	<u>\$ 21,005</u>	<u>\$ 567,535</u>

The General Fund transferred to the Capital Acquisition Fund for improvement project	\$ 500,000.00
The General Fund transferred to the Fiduciary Fund (Pre-Need) to transfer money deposited into cash in county	21,005
The Capital Acquisition Fund transferred to the General Fund for credit card charges paid	2,140
The Permanent Fund transferred to the General Fund for interest earned on endowment	3,991
The Permanent Fund transferred to the Capital Acquisition Fund for interest earned on endowment	997
The Fiduciary Fund (Pre-Need) transferred to the General Fund for actual interments	37,572
The Fiduciary Fund (Pre-Need) transferred to the Capital Acquisition Fund for expenses paid	1,830
	<u>\$ 567,535</u>

NOTE 7 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2011.

	<u>General Fund</u>	<u>Capital Acquisition Fund</u>	<u>Total Governmental Funds</u>
Sales Tax	649	-	649
Vendor payables	19,065	28,218	47,283
	<u>\$ 19,714</u>	<u>\$ 28,218</u>	<u>\$ 47,932</u>

NOTE 8 – LONG-TERM LIABILITIES

The long-term liabilities consisted of accumulated unpaid employee leave for the District at June 30, 2011.

	<u>Balance July 01, 2010</u>	<u>Additions</u>	<u>Long-term Balance</u>
<b>Governmental Activities</b>			
Compensated Absences	<u>\$ 14,671</u>	<u>\$ 162</u>	<u>\$ 14,833</u>

**SARATOGA CEMETERY DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2011**

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**NOTE 9 – FUND BALANCES**

Fund balances are composed of the following elements:

	<u>General Fund</u>	<u>Capital Acquisiton Fund</u>	<u>Permanent Fund</u>	<u>Total Governmental Funds</u>
Non-spendable				
Non-restricted				
Reserve for stores inventory	\$ 15,548	\$ -	\$ -	\$ 15,548
Reserve for prepaid expenditures	<u>446</u>			446
Permenent Endowment			<u>2,144,695</u>	<u>2,144,695</u>
Restricted, Permanent Fund Balance				
Total	<u>15,994</u>	<u>-</u>	<u>2,144,695</u>	<u>2,160,689</u>
Assigned				
Capital Projects		<u>3,302,019</u>		3,302,019
Endowment Interest				-
Unassigned				
Unassigned	<u>415,379</u>			<u>415,379</u>
Total	<u>\$ 431,373</u>	<u>\$ 3,302,019</u>	<u>\$ 2,144,695</u>	<u>\$ 5,878,087</u>

**SARATOGA CEMETERY DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2011**

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**NOTE 10 – PARTICIPATION IN JOINT POWERS AUTHORITY**

The District is a member of the Special District Risk Management Association (SDRMA) to provide workers' compensation, general liability, automobile liability, and property coverage. The District pays an annual premium to the entity for its coverage. The relationship between the District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes.

This entity has budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entity and the District are included in these statements. The participants include various small and special districts throughout California. Audit financial statements are available from the entity.

<u>Entity</u>	Special District Risk Management Association
<u>Purpose</u>	Provide property/liability and workers' compensation insurance coverage
<u>Participants</u>	Special Districts across California
<u>Governing Board</u>	SDRMA's Board of Directors consist of seven directors elected from member agencies participating in either SDRMA's Property/Liability and/or Workers' Compensation Programs.

**Condensed Audited Financial Information**

	<u>June 30, 2010</u>
Assets	\$ 93,151,195
Liabilities	<u>48,064,871</u>
Fund Equity	<u>\$ 141,216,066</u>
Revenues	\$ 39,887,773
Expenses	<u>27,647,655</u>
Net Increase in Fund Equity	<u>\$ 12,240,118</u>

\* Most current audited financial statements available

SARATOGA CEMETERY DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2011

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NOTE 11 – RESTATEMENT OF NET ASSETS

	<u>Government Wide Statements</u>
<b>Net Assests</b>	
Ending Net Assets June 30, 2010	\$ 8,199,522
Decrease due to:	
Capital Assets (Net)	(188,825)
Pre Need Fund Reclass to Fiduciary Fund	<u>(480,399)</u>
Restated Beginning Net Assets July 1, 2010	<u>\$ 7,530,298</u>

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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**SARATOGA CEMETERY DISTRICT  
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Property taxes	\$ 650,000	\$ 650,000	\$ 628,030	\$ (21,970)
Intergovernmental	-	-	4,345	4,345
Charges for services	135,000	135,000	136,191	1,191
Use of Money or Property	10,000	10,000	5,058	(4,942)
Endowment care	-	-	-	-
Miscellaneous Revenue	2,000	2,000	1,691	(309)
<b>Total Revenues</b>	<u>797,000</u>	<u>797,000</u>	<u>775,315</u>	<u>(21,685)</u>
<b>EXPENDITURES/EXPENSES</b>				
Salaries and benefits	224,960	230,260	227,836	2,424
Services and supplies	305,115	315,815	260,872	54,943
<b>Total Expenditures/Expenses</b>	<u>530,075</u>	<u>546,075</u>	<u>488,708</u>	<u>57,367</u>
<b>Excess (Deficiency) of Revenues Over Expenditures/Expenses</b>	266,925	250,925	286,607	35,682
<b>Other Financing Sources (Uses):</b>				
Transfers In	-	-	43,703	43,703
Transfers Out	-	-	(521,004)	(521,004)
<b>Net Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>(477,301)</u>	<u>(477,301)</u>
<b>NET CHANGE IN FUND BALANCE</b>	266,925	250,925	(190,694)	(441,619)
<b>NET CHANGE IN NET ASSETS</b>				
<b>Fund Balances - Beginning</b>	<u>622,067</u>	<u>622,067</u>	<u>622,067</u>	<u>-</u>
<b>Fund Balances - Ending</b>	<u>\$ 888,992</u>	<u>\$ 872,992</u>	<u>\$ 431,373</u>	<u>\$ (441,619)</u>