

Saratoga

Cemetery District

Saratoga Cemetery District
Annual Financial Report
June 30, 2010



Saratoga Cemetery District

Board of Trustees

| Board Member's Name | Title |
|----------------------------|----------------------|
| James Sorden | Chairman |
| Judy Johnstone | Vice-Chairman |
| Gregory T. Fox | Treasurer |
| Victoria Bosworth | Trustee |
| Vacant | Trustee |

**Saratoga Cemetery District
Gary Reed, District Manager
14766 Oak Street
Saratoga, CA 95070-6058
(408) 867-3717**

Saratoga Cemetery District
Annual Financial Report
For the Year Ended June 30, 2010

**Saratoga Cemetery District
Annual Financial Report
For the Year Ended June 30, 2010**

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Financial Section



Charles Z. Fedak & Company

Certified Public Accountants
An Accountancy Corporation

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Independent Auditor's Report

Board of Trustees
Saratoga Cemetery District
Saratoga, California

We have audited the accompanying financial statements of the Saratoga Cemetery District (District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Saratoga Cemetery District as of June 30, 2010, and the respective changes in financial position and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 16, 2010, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit. This report can be found on page 23.

Management's discussion and analysis and the budgetary comparison information on pages 2 through 5 and 22, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information or express an opinion on it.

September 16, 2010
Cypress, California

Charles Z. Fedak, CPA
An Accountancy Corporation

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Saratoga Cemetery District
Management's Discussion and Analysis
For the Year Ended June 30, 2010

As management of the Saratoga Cemetery District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities and performance of the District for the fiscal year ended June 30, 2010. Please read it in conjunction with additional information that we have furnished in the accompanying basic financial statements, which follow this section.

Financial Highlights

- The District's net assets increased 11.8% or \$865,800 to \$7,333,722, as a result of this year's operations.
- During the year, the District's property tax revenue decreased by 0.7% or \$4,346.
- Total revenues from all sources increased 21.4% or \$251,555 from the prior year due to a record high number of 138 internments in fiscal year 2010.
- Total expenses increased 2.8% or \$15,160 from the prior year primarily due to a \$9,311 increase in salaries and benefits and a \$7,018 increase in materials and supplies expense.
- Total cost for the District's general fund programs exceeded the 2010 adopted budget by 2.1% or \$9,779.

Using This Financial Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies. The Statement of Net Assets includes all of the District's investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing a rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenue and expenses are accounted for in the Statement of Activities. This statement measures the success of the District's operations over the past year and can be used to determine the District's net operating reserves and credit worthiness.

District Activities

The Saratoga Cemetery 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, to serve a term of four years.

The District maintains budgetary controls, the objectives of which are to ensure the compliance with legal provisions, embodied in the annually appropriated budget approved by the Board of Trustees. Activities of the governmental funds are included in the annual appropriated budget. The legal level of budgetary control is established at the fund level, further limited by two categories, the operating budget (consisting of total operations, operating projects, and debt service) and the capital budget (consisting of capital project expenditures). Budget adjustments that increase or decrease the appropriations or reserves of any fund require Board approval. Budget and actual comparisons are provided in this report for the General Fund for which an appropriated actual budget has been adopted. This comparison is presented on page 22 as part of required supplementary information for the budgeted funds.

Saratoga Cemetery District
Management's Discussion and Analysis
For the Year Ended June 30, 2010

Government-wide Financial Statements

Statement of Net Assets and Statement of Activities

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Statement of Net Assets and the Statement of Activities report information about the District in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the District's *net assets* and changes in them. Think of the District's net assets – the difference between assets and liabilities – as one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors; however, such as changes in the District's property tax and assessment base to assess the *overall health* of the District.

Governmental Funds Financial Statements

Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 12 through 21.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's budgetary information and compliance. Required supplementary information can be found on page 22.

Saratoga Cemetery District
Management's Discussion and Analysis
For the Year Ended June 30, 2010

Government-wide Financial Analysis

Condensed Statement of Net Assets

| | <u>2010</u> | <u>2009</u> | <u>Change</u> |
|--------------------------------------------------------|---------------------|------------------|----------------|
| Assets: | | | |
| Current assets | \$ 640,899 | 308,219 | 332,680 |
| Restricted assets | 5,332,583 | 4,816,522 | 516,061 |
| Capital assets, net | 2,260,730 | 2,252,826 | 7,904 |
| Total assets | <u>8,234,212</u> | <u>7,377,567</u> | <u>856,645</u> |
| Liabilities: | | | |
| Current liabilities – payable from unrestricted assets | 33,503 | 32,863 | 640 |
| Current liabilities – payable from restricted assets | 1,187 | 10,982 | (9,795) |
| Total liabilities | <u>34,690</u> | <u>43,845</u> | <u>(9,155)</u> |
| Net assets: | | | |
| Net investment in capital assets | 2,260,730 | 2,252,826 | 7,904 |
| Restricted | 5,331,396 | 4,805,540 | 525,856 |
| Unrestricted | 607,396 | 275,356 | 332,040 |
| Total net assets | <u>\$ 8,199,522</u> | <u>7,333,722</u> | <u>865,800</u> |

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets of the District exceeded liabilities by \$8,199,522 as of June 30, 2010.

A portion of the District's net assets (27% or \$2,260,730) reflects its investment in capital assets (net of accumulated depreciation), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets for operations; consequently, these assets are *not* available for future spending. At the end of fiscal year 2010, the District reflected a positive balance in its unrestricted net assets of \$607,396 that may be utilized in future years.

Condensed Statement of Activities

| | <u>2010</u> | <u>2009</u> | <u>Change</u> |
|----------------------------------|---------------------|------------------|----------------|
| Expenses: | | | |
| Cemetery operations | \$ 562,989 | 547,829 | 15,160 |
| Total expenses | <u>562,989</u> | <u>547,829</u> | <u>15,160</u> |
| Program revenues | 531,786 | 322,683 | 209,103 |
| General revenues | 897,003 | 854,551 | 42,452 |
| Total revenues | <u>1,428,789</u> | <u>1,177,234</u> | <u>251,555</u> |
| Change in net assets | 865,800 | 629,405 | 236,395 |
| Net assets – beginning of period | 7,333,722 | 6,704,317 | 629,405 |
| Net assets – end of period | <u>\$ 8,199,522</u> | <u>7,333,722</u> | <u>865,800</u> |

The statement of activities shows how the District's net assets changed during the fiscal year. In the case of the District, net assets increased by \$865,800 during the fiscal year ended June 30, 2010.

Saratoga Cemetery District
Management's Discussion and Analysis
For the Year Ended June 30, 2010

Governmental Funds Financial Analysis

The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, the *unreserved fund balance* may serve as a useful measure of the government's net resources for spending at the end of the fiscal year.

As of June 30, 2010, the District's General Fund reported a fund balance of \$622,067. An amount of \$610,370 constitutes the District's *unreserved fund balance*, which is available for future District operations. The remainder of fund balance of \$11,697 is *reserved* to indicate that it is not available for future spending because it has already been spent for inventory.

General Fund Budgetary Highlights

The final actual expenditures for the General Fund at year-end were \$9,779 greater than budgeted. The variance is minor and, therefore, the District has adhered to its overall budget for 2010. The General Fund budget to actual comparison schedule can be found on page 22.

Capital Asset Administration

Changes in capital asset amounts for the year were as follows:

| | <u>Balance 2009</u> | <u>Additions</u> | <u>Transfers/ Deletions</u> | <u>Balance 2009</u> |
|-------------------------------------------|-------------------------|------------------|---------------------------------|-------------------------|
| Capital assets: | | | | |
| Non-depreciable assets | \$ 1,775,104 | 91,555 | (176,502) | 1,690,157 |
| Depreciable assets | 1,436,144 | 176,502 | - | 1,612,646 |
| Accumulated depreciation and amortization | (958,422) | (83,651) | - | (1,042,073) |
| Total capital assets, net | <u>\$ 2,252,826</u> | <u>184,406</u> | <u>(176,502)</u> | <u>2,260,730</u> |

See Note 3 for further analysis of the Districts capital assets.

Conditions Affecting Current Financial Position

Management is unaware of any conditions, which could have a significant impact on the District's current financial position, net assets or operating results in terms of past, present and future.

Requests for Information

The District's basic financial statements are designed to present users with a general overview of the District's finances and to demonstrate the District's accountability. If you have any questions about the report or need additional information, please contact the District's General Manager, Gary Reed, at the Saratoga Cemetery District, 14766 Oak Street, Saratoga, California, 95070-6058 or (408) 867-3717.

Basic Financial Statements

Saratoga Cemetery District
Statement of Net Assets
June 30, 2010
With comparative amounts as of June 30, 2009

| <i>Assets</i> | 2010 | 2009 |
|-----------------------------------------------------------------|---------------------|------------------|
| Unrestricted assets: | | |
| Cash and cash equivalents (note 2) | \$ 628,127 | 291,275 |
| Accrued interest receivable | 1,075 | 2,784 |
| Inventory and other | 11,697 | 14,160 |
| Total unrestricted assets | 640,899 | 308,219 |
| Restricted assets: | | |
| Cash and cash equivalents (note 2) | 1,359,896 | 1,525,201 |
| Investments (note 2) | 3,937,061 | 3,264,873 |
| Accrued interest receivable | 35,626 | 26,448 |
| Total restricted assets | 5,332,583 | 4,816,522 |
| Noncurrent assets: | | |
| Capital assets, net (note 3) | 2,260,730 | 2,252,826 |
| Total assets | 8,234,212 | 7,377,567 |
| <i>Liabilities and Net Assets</i> | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | 18,832 | 20,177 |
| Compensated absences (note 4) | 14,671 | 12,686 |
| Total current liabilities | 33,503 | 32,863 |
| Current liabilities payable from restricted assets: | | |
| Accounts payable and accrued expenses | 187 | 9,982 |
| Deposits from others | 1,000 | 1,000 |
| Total current liabilities payable from restricted assets | 1,187 | 10,982 |
| Total liabilities | 34,690 | 43,845 |
| Net assets: | | |
| Net investment in capital assets | 2,260,730 | 2,252,826 |
| Restricted – capital projects | 2,803,854 | 2,513,597 |
| Restricted – endowment | 2,047,143 | 1,875,428 |
| Restricted – pre-need | 480,399 | 416,515 |
| Unrestricted | 607,396 | 275,356 |
| Total net assets | \$ 8,199,522 | 7,333,722 |

See accompanying notes to the basic financial statements

Saratoga Cemetery District
Statement of Activities
For the Year Ended June 30, 2010
With comparative amounts for the Year Ended June 30, 2009

| | 2010 | 2009 |
|--------------------------------------------|---------------------|------------------|
| Governmental Activities: | | |
| Expenses: | | |
| Cemetery operations: | | |
| Salaries and benefits | \$ 220,344 | 211,033 |
| Materials and supplies | 248,525 | 241,507 |
| Facilities | 10,469 | 17,386 |
| Depreciation | 83,651 | 77,903 |
| Total expenses | 562,989 | 547,829 |
| Program revenues: | | |
| Charges for services – cemetery operations | 531,786 | 322,683 |
| Total program revenues | 531,786 | 322,683 |
| Net program expense | 31,203 | 225,146 |
| General revenues: | | |
| Property taxes | 643,892 | 648,238 |
| Interest earnings | 231,511 | 184,713 |
| Rental income – District house | 21,600 | 21,600 |
| Other | - | - |
| Total general revenues | 897,003 | 854,551 |
| Change in net assets | 865,800 | 629,405 |
| Net assets – beginning of year | 7,333,722 | 6,704,317 |
| Net assets – end of year | \$ 8,199,522 | 7,333,722 |

See accompanying notes to the basic financial statements

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Saratoga Cemetery District
Reconciliation of the Balance Sheet of Governmental
Type Funds to the Statement of Net Assets
June 30, 2010

| | <u>General Fund</u> | <u>Capital Projects Fund</u> | <u>Endowment Fund</u> | <u>Pre-need Fund</u> | <u>Total Governmental</u> | <u>Reclassifications & Eliminations</u> | <u>Statement of Net Assets</u> |
|-----------------------------------------------------------------|-------------------------|----------------------------------|---------------------------|--------------------------|-------------------------------|-------------------------------------------------|------------------------------------|
| Unrestricted assets: | | | | | | | |
| Cash and cash equivalents | \$ 628,127 | - | - | - | 628,127 | - | 628,127 |
| Accrued interest receivable | 1,075 | - | - | - | 1,075 | - | 1,075 |
| Inventory and other | 11,697 | - | - | - | 11,697 | - | 11,697 |
| Total unrestricted assets | <u>640,899</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>640,899</u> | <u>-</u> | <u>640,899</u> |
| Restricted assets: | | | | | | | |
| Cash and cash equivalents | - | 1,314,883 | 1,495 | 43,518 | 1,359,896 | - | 1,359,896 |
| Investments | - | 1,475,143 | 2,028,250 | 433,668 | 3,937,061 | - | 3,937,061 |
| Accrued interest receivable | - | 15,015 | 17,398 | 3,213 | 35,626 | - | 35,626 |
| Total restricted assets | <u>-</u> | <u>2,805,041</u> | <u>2,047,143</u> | <u>480,399</u> | <u>5,332,583</u> | <u>-</u> | <u>5,332,583</u> |
| Noncurrent assets: | | | | | | | |
| Capital assets, net | - | - | - | - | - | 2,260,730 | 2,260,730 |
| Total assets | <u>\$ 640,899</u> | <u>2,805,041</u> | <u>2,047,143</u> | <u>480,399</u> | <u>5,973,482</u> | <u>2,260,730</u> | <u>8,234,212</u> |
| Current liabilities: | | | | | | | |
| Accounts payable and accrued expenses | \$ 18,832 | - | - | - | 18,832 | - | 18,832 |
| Compensated absences | - | - | - | - | - | 14,671 | 14,671 |
| Total current liabilities | <u>18,832</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>18,832</u> | <u>14,671</u> | <u>33,503</u> |
| Current liabilities payable from restricted assets: | | | | | | | |
| Accounts payable and accrued expenses | - | 187 | - | - | 187 | - | 187 |
| Deposits from others | - | 1,000 | - | - | 1,000 | - | 1,000 |
| Total current liabilities payable from restricted assets | <u>-</u> | <u>1,187</u> | <u>-</u> | <u>-</u> | <u>1,187</u> | <u>-</u> | <u>1,187</u> |
| Total liabilities | <u>18,832</u> | <u>1,187</u> | <u>-</u> | <u>-</u> | <u>20,019</u> | <u>14,671</u> | <u>34,690</u> |
| Fund balance: | | | | | | | |
| Reserved for inventory | 11,697 | - | - | - | 11,697 | (11,697) | - |
| Reserved for capital projects | - | 2,803,854 | - | - | 2,803,854 | (2,803,854) | - |
| Reserved for endowment | - | - | 2,047,143 | - | 2,047,143 | (2,047,143) | - |
| Reserved for pre-need | - | - | - | 480,399 | 480,399 | (480,399) | - |
| Unreserved: | | | | | | | |
| Designated for cemetery operations | 610,370 | - | - | - | 610,370 | (610,370) | - |
| Total fund balance | <u>622,067</u> | <u>2,803,854</u> | <u>2,047,143</u> | <u>480,399</u> | <u>5,953,463</u> | <u>(5,953,463)</u> | <u>-</u> |
| Total liabilities and fund balance | <u>\$ 640,899</u> | <u>2,805,041</u> | <u>2,047,143</u> | <u>480,399</u> | <u>5,973,482</u> | | |
| Net assets: | | | | | | | |
| Net investment in capital assets | | | | | | 2,260,730 | 2,260,730 |
| Restricted – capital projects | | | | | | 2,803,854 | 2,803,854 |
| Restricted – endowment | | | | | | 2,047,143 | 2,047,143 |
| Restricted – pre-need | | | | | | 480,399 | 480,399 |
| Unrestricted | | | | | | 607,396 | 607,396 |
| Total net assets | | | | | | <u>8,199,522</u> | <u>8,199,522</u> |

See accompanying notes to the basic financial statements

Saratoga Cemetery District
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balance of Governmental Type Funds to the Statement of Activities
For the Year Ended June 30, 2010

| | <u>General Fund</u> | <u>Capital Projects Fund</u> | <u>Endowment Fund</u> | <u>Pre-need Fund</u> | <u>Total Governmental</u> | <u>Reclassifications & Eliminations</u> | <u>Statement of Activities</u> |
|-------------------------------------------------|-------------------------|----------------------------------|---------------------------|--------------------------|-------------------------------|-------------------------------------------------|------------------------------------|
| Expenditures/Expenses: | | | | | | | |
| Cemetery operations: | | | | | | | |
| Salaries and benefits | \$ 218,359 | - | - | - | 218,359 | 1,985 | 220,344 |
| Materials and supplies | 248,525 | - | - | - | 248,525 | - | 248,525 |
| Facilities | - | 10,469 | - | - | 10,469 | - | 10,469 |
| Depreciation | - | - | - | - | - | 83,651 | 83,651 |
| Capital outlay | - | 91,555 | - | - | 91,555 | (91,555) | - |
| Total expenditures/expenses | <u>466,884</u> | <u>102,024</u> | <u>-</u> | <u>-</u> | <u>568,908</u> | <u>(5,919)</u> | <u>562,989</u> |
| Program revenues: | | | | | | | |
| Charges for services – cemetery operations | 153,601 | 288,604 | 48,475 | 41,106 | 531,786 | - | 531,786 |
| Total program revenues | <u>153,601</u> | <u>288,604</u> | <u>48,475</u> | <u>41,106</u> | <u>531,786</u> | <u>-</u> | <u>531,786</u> |
| Net program expense | | | | | | | <u>31,203</u> |
| General revenues: | | | | | | | |
| Property taxes | 643,892 | - | - | - | 643,892 | - | 643,892 |
| Investment earnings | 3,279 | 79,112 | 123,429 | 25,691 | 231,511 | - | 231,511 |
| Rental income – District house | - | 21,600 | - | - | 21,600 | - | 21,600 |
| Other | - | - | - | - | - | - | - |
| Total general revenues | <u>647,171</u> | <u>100,712</u> | <u>123,429</u> | <u>25,691</u> | <u>897,003</u> | <u>-</u> | <u>897,003</u> |
| Total revenues | <u>800,772</u> | <u>389,316</u> | <u>171,904</u> | <u>66,797</u> | <u>1,428,789</u> | | |
| Excess of revenues over expenditures | 333,888 | 287,292 | 171,904 | 66,797 | 859,881 | | |
| Other financing sources(uses): | | | | | | | |
| Transfers in(out) | 137 | 2,965 | (189) | (2,913) | - | | |
| Net change in fund balance | 334,025 | 290,257 | 171,715 | 63,884 | 859,881 | (859,881) | - |
| Change in net assets | - | - | - | - | - | 865,800 | 865,800 |
| Fund balance/Net assets – beginning of year | 288,042 | 2,513,597 | 1,875,428 | 416,515 | 5,093,582 | - | 6,704,317 |
| Fund balance/Net assets – end of year | <u>\$ 622,067</u> | <u>2,803,854</u> | <u>2,047,143</u> | <u>480,399</u> | <u>5,953,463</u> | <u>5,919</u> | <u>7,570,117</u> |

See accompanying notes to the basic financial statements

Saratoga Cemetery District
Reconciliation of the Balance Sheet of Governmental Type Funds
to the Statement of Net Assets, continued
For the Year Ended June 30, 2010

Reconciliation:

| | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|-------------------------|
| Fund balance of governmental funds | \$ | 5,953,463 |
| <p>Amounts reported for governmental activities in the statement of net assets is different because:</p> | | |
| Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. | | 2,260,730 |
| Long-term liabilities applicable to the District are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities' both current and long-term, are reported in the Statement of Net Assets. | | |
| Compensated absences | | <u>(14,671)</u> |
| Net assets of governmental activities | \$ | <u><u>8,199,522</u></u> |

See accompanying notes to the basic financial statements

Saratoga Cemetery District
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balance of Governmental Type Funds to the Statement of Activities, continued
For the Year Ended June 30, 2010

Reconciliation:

| | | |
|--------------------------------------------------|----|---------|
| Net changes in fund balance of governmental fund | \$ | 859,881 |
|--------------------------------------------------|----|---------|

Amounts reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:

| | | |
|----------------------|--|----------|
| Capital outlay | | 91,555 |
| Depreciation expense | | (83,651) |

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenses in governmental funds as follows:

| | | |
|------------------------------------|--|----------------|
| Net change in compensated absences | | <u>(1,985)</u> |
|------------------------------------|--|----------------|

| | | |
|-------------------------------------------------|----|-----------------------|
| Change in net assets of governmental activities | \$ | <u><u>865,800</u></u> |
|-------------------------------------------------|----|-----------------------|

See accompanying notes to the basic financial statements

Saratoga Cemetery District
Notes to the Basic Financial Statements
June 30, 2010

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the 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.

B. Basis of Accounting and Measurement Focus

The *basic financial statements* of the District are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

Financial reporting is based upon all GASB pronouncements, as well as well as any applicable pronouncements of the Financial Accounting Standards Board (FASB), the Accounting Principals Board (APB), or any Accounting Research Bulletins (ARB) issued on or before November 30, 1989, unless they contradict or conflict with GASB pronouncements.

Government-wide Financial Statements

These statements are presented on an *economic resources* measurement focus and the accrual basis of accounting. Accordingly, all of the District's assets and liabilities, including capital assets, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which the liability is incurred. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. The types of transactions reported as program revenues for the District are to be reported in three categories, if applicable: 1) charges for services, 2) operating grants and contributions, and, 3) capital grants and contributions. Charges for services include revenues from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Grant and contributions include revenues restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Governmental Fund Financial Statements

These statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds. Incorporated into these statements is a schedule to reconcile and explain the differences in net assets as presented in these statements to the net assets presented in the Government-wide Financial Statements. The District has presented its General Fund, Capital Projects Fund, Debt Service Fund, Endowment Fund, and Pre-need Fund, as its major funds, in this statement to meet the qualifications of GASB Statement No. 34.

Saratoga Cemetery District
Notes to the Basic Financial Statements, continued
June 30, 2010

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

B. Basis of Accounting and Measurement Focus, continued

Governmental funds are accounted for on a spending or *current financial resources* measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60-days after year-end) are recognized when due. The primary sources susceptible to accrual for the district are property taxes and assessments, interest earnings, investment revenue and operating and capital grant revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. However, exceptions to this rule include principal and interest on debt, which are recognized when due.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

The District reports the following major governmental funds:

General Fund – is a government's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund when necessary.

Capital Projects Fund – is used to account for allocated revenues and expenditures relating to the acquisition, improvement and sale of cemetery plots within the District.

Endowment Fund – is used to provide continued maintenance and operation of the District after normal revenues have ceased.

Pre-need Fund – is used for burial services at a future unknown date for the citizens within the District's boundaries who are unable to finance their own burial. As pre-need sales become realized, funds are transferred from the Pre-Need Fund to the General Fund.

C. Assets, Liabilities and Net Assets

1. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in District net assets during the reporting period. Actual results could differ from those estimates.

2. Cash and Cash Equivalents

Substantially all of District's cash is invested in interest bearing cash accounts. The District considers all highly liquid investments with initial maturities of three months or less to be cash equivalents.

3. Investments and Investment Policy

The District has adopted an investment policy directing the District Manager to deposit funds in financial institutions.

Changes in fair value that occur during a fiscal year are recognized as unrealized gains or losses and reported for that fiscal year. Investment income comprises interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

Saratoga Cemetery District
Notes to the Basic Financial Statements, continued
June 30, 2010

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

C. Assets, Liabilities and Net Assets, continued

4. Property Taxes and Assessments

The County of Santa Clara's Assessor's Office assesses all real and personal property within the County each year. The County of Santa Clara Tax Collector's Office bills and collects the District's share of property taxes. The County of Santa Clara Treasurer's Office remits current and delinquent property tax collections to the District throughout the year. Property tax in California is levied in accordance with Article 13A of the State Constitution at one percent (1%) of countywide assessed valuations.

Property taxes receivable at year-end are related to property taxes collected by the County of Santa Clara which have not been credited to the District's cash balance as of June 30th. The property tax calendar is as follows:

| | |
|------------------|---------------------------|
| Lien date | June 30 |
| Levy date | July 1 |
| Due dates | November 1 and February 1 |
| Collection dates | December 10 and April 10 |

5. Materials and Supplies Inventory

Materials and supplies inventory consists primarily of urns and vaults. Inventory is valued at cost using the first-in-first-out (FIFO) method. Inventory items are charged to expense at the time that individual items are withdrawn from inventory or consumed.

6. Prepaid Expenses

Certain payments to vendors reflects costs or deposits applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

7. Capital Assets

Capital assets are recorded in the government-wide financial statements. Included in capital assets are land, building, building improvements, equipment and furniture and fixtures. District policy has set the capitalization threshold for reporting capital assets at \$2,500. Donated assets are recorded at estimated fair market value at the date of donation. Capital outlay is recorded as expenditures of the General Fund and as assets in the government-wide financial statements to the extent the District's capitalization threshold is met. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

- Buildings – operations – 17 years
- Land improvements – 17.5 years
- Machinery and equipment – 20 years
- Rental property – 10 to 20 years
- Structures and improvements – 5 to 15 years

8. Compensated Absences

The District's policy is to permit full time employees to accumulate earned vacation and sick leave. Accumulation rates vary by employee and range from 40 hours to 160 hours based on hours worked. Employees may accumulate vacation from year-to-year.

Saratoga Cemetery District
Notes to the Basic Financial Statements, continued
June 30, 2010

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

C. Assets, Liabilities and Net Assets, continued

9. Net Assets

The financial statements utilize a net assets presentation. Net assets are categorized as follows:

- **Net Investment in Capital Assets** – This component of net assets consists of capital assets, net of accumulated depreciation and reduced by any outstanding debt outstanding against the acquisition, construction or improvement of those assets.
- **Restricted Net Assets** – This component of net assets consists of constraints placed on net assets use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Assets** – This component of net assets consists of net assets that do not meet the definition of *restricted* or *net investment in capital assets*.

(2) Cash and Cash Equivalents

Cash and investments as of June 30, 2010, are classified in the accompanying financial statements as follows:

| | |
|--------------------------------------|----------------------------|
| Cash and cash equivalents | \$ 628,127 |
| Restricted cash and cash equivalents | 1,359,896 |
| Restricted investments | <u>3,937,061</u> |
| Total Cash and Investments | <u><u>\$ 5,925,084</u></u> |

Cash and investments as of June 30, 2010, consist of the following:

| | |
|--------------------------------------|----------------------------|
| Cash on hand | \$ 100 |
| Deposits with financial institutions | 348,886 |
| Investments | <u>5,576,098</u> |
| Total cash and investments | <u><u>\$ 5,925,084</u></u> |

Saratoga Cemetery District
Notes to the Basic Financial Statements, continued
June 30, 2010

(2) Cash and Cash Equivalents, continued

Investments Authorized by the California Government Code and the District's Investment Policy

The table below identifies the investment types that are authorized by the District in accordance with 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's investment policy.

| Authorized Investment Types | Maximum Maturity * | Maximum Percentage Of Portfolio | Maximum Investment in One Issuer |
|--------------------------------------------|-------------------------------|------------------------------------------------|-------------------------------------------------|
| Local Agency Bonds | 5 years | None | None |
| U.S. Treasury Obligations | 5 years | None | None |
| U.S. Agency Securities | 5 years | None | None |
| Banker's Acceptances | 180 days | 40% | 30% |
| Commercial Paper | 270 days | 25% | 10% |
| Negotiable Certificates of Deposit | 5 years | 30% | None |
| Medium-Term Notes | 5 years | 30% | None |
| Mutual Funds | N/A | 20% | 10% |
| Money Market Funds | N/A | 20% | 10% |
| Santa Clara County Pooled Investment Funds | N/A | None | None |
| Local Agency Investment Fund (LAIF) | N/A | None | None |

* Unless approved by Board of Trustees pursuant to Government Code Section 53601.

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 deposits 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 or collateral securities that are in the possession of another party. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

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 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% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. Of the bank balance, up to \$250,000 is federally insured.

Saratoga Cemetery District
Notes to the Basic Financial Statements, continued
June 30, 2010

(2) Cash and Cash Equivalents, continued

Santa Clara County Pooled Investment Fund

The cash with the Santa Clara County Pooled Investment Fund is managed by the County's Budget and Finance office. Property taxes collected for the District are deposited in this account along with deposits from District operations. The majority of expenses of the District are processed through this account.

The fair value of participants' position in the Pool is not the same as the value of the pooled shares. The method used to determine the value of participants' equity withdrawn is based on the book value, amortized cost plus accrued interest of the participants' percentage participation at the date of such withdrawal. The County has not provided nor obtained any legally binding guarantees during the fiscal year ending June 30, 2010 to support the valuation.

State statutes and County policy authorize the County to invest in obligations of the U.S. Treasury, Federal agencies, a U.S. Government-sponsored enterprise, the State of California, local government agencies, commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers' acceptances, repurchase agreements, reverse repurchase agreements, guaranteed investment contracts, bond anticipation notes, medium term corporate bonds and negotiable certificates of deposit issued by national and State licensed or chartered banks or Federal or State savings and loan associations.

Pooled investments, including U.S Treasury and Agency securities, are carried at fair value based on the current market prices received from an independent registered investment advisor. Other County investments in the U.S. Treasury and Agency securities are carried at fair value based on quoted market prices. Repurchase agreements are carried at fair value based on quoted market prices, except for repurchase agreements maturing in 90 days of June 30, which are carried at cost. Bond anticipation notes are carried at fair value. Commercial paper is carried at amortized cost. Investments in bankers' acceptances and nonparticipating guaranteed investment contracts are carried at cost. Participating guaranteed investment contracts are carried at fair value based on net realizable value. Mutual funds are carried at fair value based on the funds' share price. Local Agency Obligations are carried at fair value based on the value of each participating dollar.

The County of Santa Clara's bank deposits are either Federally insured or collateralized in accordance with the California Government Code. Pool detail is included in the County of Santa Clara's Comprehensive Annual Financial Report (CAFR). Copies of the CAFR may be obtained from the County of Santa Clara Budget and Finance Office – 70 West Hedding Street – San Jose, CA 95110.

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Saratoga Cemetery District
Notes to the Basic Financial Statements, continued
June 30, 2010

(2) Cash and Cash Equivalents, continued

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. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio matures or comes close to maturity evenly over time as necessary to provide requirements for cash flow and liquidity needed for operations. 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 investments by maturity date:

Maturities of investments at June 30, 2010, consisted of the following:

| <u>Investment Type</u> | <u>Total Investment</u> | <u>Remaining Maturity (in Months)</u> | | | |
|------------------------------------|-------------------------|---------------------------------------|------------------------|---------------------|----------------------------|
| | | <u>12 Months Or Less</u> | <u>13 to 24 Months</u> | <u>25-60 Months</u> | <u>More than 60 Months</u> |
| Local Agency Investment Fund | \$ 907,613 | 907,613 | - | - | - |
| Money market funds | 67,111 | 67,111 | - | - | - |
| Santa Clara County Investment Pool | 731,424 | 731,424 | - | - | - |
| Certificates-of-deposit | 1,486,962 | 528,005 | 359,802 | 599,155 | - |
| Medium-term notes | 908,717 | 143,817 | 172,686 | 469,655 | 122,559 |
| FHLB | 106,406 | - | - | - | 106,406 |
| FHLMC | 400,258 | - | - | - | 400,258 |
| FMAC | 286,264 | - | - | - | 286,264 |
| FMNA | 50,624 | - | - | - | 50,624 |
| FNMA | 186,171 | 5,793 | 7,906 | - | 172,472 |
| GNMA | 444,548 | - | - | - | 444,548 |
| Total | \$ 5,576,098 | 2,383,763 | 540,394 | 1,068,810 | 1,583,131 |

Credit Risk

Generally, 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. Presented below is the minimum rating required by (where applicable) the California Government Code and the actual rating as of year end for each investment type.

Credit ratings of investments as of June 30, 2010, were as follows:

| <u>Investment Type</u> | <u>Total Investment</u> | <u>Minimum Legal Rating</u> | <u>Exempt or Not Rated</u> | <u>Rating as of Year End</u> | |
|------------------------------------|-------------------------|-----------------------------|----------------------------|------------------------------|-----------------|
| | | | | <u>AAA</u> | <u>AA+ to A</u> |
| Local Agency Investment Fund | \$ 907,613 | N/A | \$ 907,613 | - | - |
| Money market funds | 67,111 | AAA | - | 67,111 | - |
| Santa Clara County Investment Pool | 731,424 | N/A | 731,424 | - | - |
| Certificates-of-deposit | 1,486,962 | N/A | 1,486,962 | - | - |
| Medium-term notes | 908,717 | A | - | - | 908,717 |
| FHLB | 106,406 | AAA | - | 106,406 | - |
| FHLMC | 400,258 | AAA | - | 400,258 | - |
| FMAC | 286,264 | AAA | - | 286,264 | - |
| FMNA | 50,624 | AAA | - | 50,624 | - |
| FNMA | 186,171 | AAA | - | 186,171 | - |
| GNMA | 444,548 | AAA | - | 444,548 | - |
| Total | \$ 5,576,098 | | \$ 3,125,999 | 1,541,382 | 908,717 |

Saratoga Cemetery District
Notes to the Basic Financial Statements, continued
June 30, 2010

(3) Capital Assets

Changes in capital assets for the year were as follows:

| | <u>Balance 2009</u> | <u>Additions</u> | <u>Deletions/ Transfers</u> | <u>Balance 2010</u> |
|--------------------------------|-------------------------|------------------|---------------------------------|-------------------------|
| Non-depreciable assets: | | | | |
| Land | \$ 1,690,157 | - | - | 1,690,157 |
| Construction in process | 84,947 | 91,555 | (176,502) | - |
| Total non-depreciable assets | <u>1,775,104</u> | <u>91,555</u> | <u>(176,502)</u> | <u>1,690,157</u> |
| Depreciable assets: | | | | |
| Building – operations | 221,225 | - | - | 221,225 |
| Land improvements | 409,668 | 176,502 | - | 586,170 |
| Machinery and equipment | 105,681 | - | - | 105,681 |
| Office furniture and equipment | 28,208 | - | - | 28,208 |
| Rental property | 92,959 | - | - | 92,959 |
| Structures and improvements | 578,403 | - | - | 578,403 |
| Total depreciable assets | <u>1,436,144</u> | <u>176,502</u> | <u>-</u> | <u>1,612,646</u> |
| Accumulated depreciation: | | | | |
| Building – operations | (127,184) | (13,013) | - | (140,197) |
| Land improvements | (372,829) | (29,293) | - | (402,122) |
| Machinery and equipment | (98,859) | (3,559) | - | (102,418) |
| Office furniture and equipment | (27,407) | (601) | - | (28,008) |
| Rental property | (80,447) | (2,087) | - | (82,534) |
| Structures and improvements | (251,696) | (35,098) | - | (286,794) |
| Total accumulated depreciation | <u>(958,422)</u> | <u>(83,651)</u> | <u>-</u> | <u>(1,042,073)</u> |
| Total depreciable assets, net | <u>477,722</u> | <u>92,851</u> | <u>-</u> | <u>570,573</u> |
| Total capital assets, net | <u>\$ 2,252,826</u> | | | <u>2,260,730</u> |

Capital asset additions for 2010 included \$91,555 for construction of the water well.

(4) Compensated Absences

Changes in compensated absences were as follows:

| | |
|------------------------------|------------------|
| Balance at beginning of year | \$ 12,686 |
| Additions | 6,849 |
| Payments to employees | <u>(4,864)</u> |
| Balance at end of year | <u>\$ 14,671</u> |

(5) Reserves and Designations of Fund Balance

The District has established reserves and designations of its fund balance. Reservations of fund balance represent amounts that are not appropriable for future expenditures or are legally segregated for a specific purpose. Designations of fund balance represent tentative plans for financial resource utilization in a future period. Such plans are subject to change and may not result in expenditures for the indicated purpose. The District's reserves and designations of fund balance are explained below as to the nature and purpose of each reserve and designation.

- a. **Reserved for inventory:** This reserve is provided to indicate that amounts reserved for inventory are not "available" as a resource to meet expenditures in the coming year.

Saratoga Cemetery District
Notes to the Basic Financial Statements, continued
June 30, 2010

(5) Reserves and Designations of Fund Balance, continued

- b. **Reserved for capital projects:** This reserve is provided to indicate the amounts reserved for capital projects are not “available” as a resource to meet expenditures in the coming year.
- c. **Reserved for endowment:** This reserve is provided to indicate the amounts reserved for endowment are not “available” as a resource to meet expenditures in the coming year.
- d. **Reserved for pre-need:** This reserve is provided to indicate the amounts reserved for future burial services are not “available” as a resource to meet expenditures in the coming year.
- e. **Designated for cemetery operations:** These funds are designated for future cemetery operations as determined by the Board of Trustees.

(6) Property Taxes and Sale of a Receivable

Under the provisions of the State of California Proposition 1A and as part of the 2010 fiscal year State of California budget package passed by the California State Legislature on July 28, 2009, the State of California borrowed 8.0% of the amount of property tax revenue apportioned to cities, counties and special districts. The State of California is required to repay this borrowing plus interest by June 30, 2013. After repayment of this initial borrowing, the California State Legislature may consider only one additional borrowing within a ten-year period. The amount of the borrowing pertaining to the District was \$52,032.

Authorized with the 2010 fiscal year State of California budget package, the State of California Proposition 1A Securitization Program (Securitization Program) was instituted by the California Statewide Communities Development Authority (California Communities), a joint-powers authority sponsored by the California State Association of Counties and the League of California Cities, to enable local governments to sell their State of California Proposition 1A receivables to California Communities. Under the Securitization Program, California Communities simultaneously purchased the State of California Proposition 1A receivables and issued bonds (Prop 1A Bonds) to provide California local governmental agencies with cash proceeds in two equal installments, on January 15, 2010 and May 3, 2010. The purchase price paid to the California local governmental agencies equaled 100% of the amount of the property tax reduction. All transaction costs of the issuance and interest were paid by the State of California. Participating California local governmental agencies have no obligation on the bonds and no credit exposure to the State of California. The District participated in the Securitization Program and accordingly property tax revenue has been recorded in the same manner as if the State of California had not exercised its rights under State of California Proposition 1A. The receivable sale proceeds were equal to the book value of the property tax reduction for each agency and, as a result, no gain or loss was recorded to recognize these proceeds.

(7) 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; injuries to employees; and natural disasters. The District, as a member of the Special District Risk Management Authority (SDRMA), has purchased various insurance policies to manage the potential liabilities that may occur from the previously named sources. SDRMA’s purpose is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage. At June 30, 2010, the District participated in the liability and property programs of the SDRMA as follows:

- General and auto personal injury and property damage, public officials and employees errors and omissions, employment practices, and employee benefits liability: Total risk financing limits of \$2.5 million, combined single limit at \$2.5 million per occurrence.
- Employee dishonesty coverage up to \$400,000 per loss includes public employee dishonesty, forgery or alteration and theft, disappearance and destruction coverages.

Saratoga Cemetery District
Notes to the Basic Financial Statements, continued
June 30, 2010

(7) Risk Management, continued

- Property loss is paid at the replacement cost for property on file, if replaced within two years after the loss, otherwise paid on an actual cash value basis, to a combined total of \$1.0 billion per occurrence.
- Boiler and machinery coverage for the replacement cost up to \$100 million per occurrence, subject to a \$1,000 deductible.
- Comprehensive and collision coverage on selected trailers, ACV limits; fully self-funded by the SDRMA.
- Uninsured/underinsured motorists bodily injury coverage to a combined total of \$750,000 per accident.
- Public officials personal liability up to \$500,000 each occurrence, with an annual aggregate of \$500,000 per each elected/appointed official to which this coverage applies, subject to the terms, conditions and exclusions as provided in the Memorandum of Coverages, deductible of \$500 per claim.
- Workers' compensation insurance up to California statutory limits for all work related injuries/illnesses covered by California law.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the District's insurance coverage during the years ending June 30, 2010, 2009 and 2008. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2010, 2009 or 2008.

(8) Governmental Accounting Standards Board Statements Issued, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2010, that has effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 54

In February 2009, the GASB issued 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. This statement is not effective for this Authority until the fiscal year ended June 30, 2011. This statement is not expected to have a significant impact on the presentation of the Authority's financial statements.

(9) Commitments and Contingencies

Litigation

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

Required Supplementary Information

Saratoga Cemetery District
Budgetary Comparison Schedule – General Fund
For the Year Ended June 30, 2010

| | <u>Adopted Original Budget</u> | <u>Board Approved Changes</u> | <u>Revised Budget</u> | <u>Actual Budgetary Basis</u> | <u>Variance Positive (Negative)</u> |
|--------------------------------------------------------------------------------|----------------------------------------|---------------------------------------|---------------------------|---------------------------------------|---------------------------------------------|
| Expenditures/Expenses: | | | | | |
| Cemetery operations: | | | | | |
| Salaries and wages | \$ 206,340 | - | 206,340 | 218,359 | (12,019) |
| Materials and supplies | 250,765 | - | 250,765 | 248,525 | 2,240 |
| Total expenditures/expenses | <u>457,105</u> | <u>-</u> | <u>457,105</u> | <u>466,884</u> | <u>(9,779)</u> |
| Program revenues: | | | | | |
| Charges for services – cemetery operations | 125,000 | - | 125,000 | 153,601 | 28,601 |
| Total program revenues | <u>125,000</u> | <u>-</u> | <u>125,000</u> | <u>153,601</u> | <u>28,601</u> |
| General revenues: | | | | | |
| Property taxes | 650,000 | - | 650,000 | 643,892 | (6,108) |
| Interest earnings | 10,000 | - | 10,000 | 3,279 | (6,721) |
| Other | 2,000 | - | 2,000 | - | (2,000) |
| Total general revenues | <u>662,000</u> | <u>-</u> | <u>662,000</u> | <u>647,171</u> | <u>(14,829)</u> |
| Total revenues | <u>787,000</u> | <u>-</u> | <u>787,000</u> | <u>800,772</u> | <u>13,772</u> |
| Excess(Deficiency) of revenues over(under) expenditures | 329,895 | - | 329,895 | 333,888 | 3,993 |
| Other financing sources(uses): | | | | | |
| Transfers in(out) | - | - | - | 137 | 137 |
| Net change in fund balance | 329,895 | <u>-</u> | 329,895 | 334,025 | <u>4,130</u> |
| Fund balance – beginning of year | 288,042 | | 288,042 | 288,042 | |
| Fund balance – end of year | <u>\$ 617,937</u> | | <u>617,937</u> | <u>622,067</u> | |

Notes to Required Supplementary Information

(1) Budgets and Budgetary Data

The District follows specific procedures in establishing the budgetary data reflected in the financial statements. Each year the District’s General Manager prepare and submit an operating budget to the Board of Trustees for the General Fund no later than June of each year. The basis used to prepare the budget does not differ substantially from the modified accrual basis of accounting. The adopted budget becomes operative on July 1. The Board of Trustees must approve all supplemental appropriations to the budget and transfers between major accounts. The District’s annual budget is presented as a balanced budget (inflows and reserves equal outflows and reserves) adopted for the General Fund at the detailed expenditure-type level.

The District presents a comparison of the annual budget to actual results for the General Fund at the functional expenditure-type major object level for financial reporting purposes. The budgeted expenditure amounts represent the adopted budget. No Board approved supplemental appropriations were made. The budgeted revenue amounts represent the adopted budget as originally approved.

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Report on Compliance and Internal Controls



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Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Trustees
Saratoga Cemetery District
Saratoga, California

We have audited the basic financial statements of the Saratoga Cemetery District (District) as of and for the year ended June 30, 2010, and have issued our report thereon dated September 16, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control. Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Trustees and management and is not intended to be and should not be used by anyone other than these specified parties.

September 16, 2010
Cypress, California

Charles Z. Fedak, CPA
An Accountancy Corporation