

# **SARATOGA CEMETERY DISTRICT**

ANNUAL FINANCIAL REPORT

June 30, 2020



**SARATOGA CEMETERY DISTRICT  
Annual Financial Report  
For the Fiscal Year Ended June 30, 2020**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Saratoga Cemetery District  
Saratoga, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Saratoga Cemetery District ("District"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, governmental activities, each major fund, and the aggregate remaining fund information of the Saratoga Cemetery District, as of June 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matter***

### *Restatement*

As discussed in Note 8 to the financial statements, the July 1, 2019 beginning net position of governmental activities and governmental fund balances have been restated to correct misstatements related to unreported interest receivables and misstated capital assets, accounts payable, and accrued payable. Our opinion is not modified with respect to this matter.

### *Change in Accounting Principles*

As discussed in Note 9 to the financial statements, the District adopted new accounting guidance for fiduciary funds, as of July 1, 2019. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 26–27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

The Saratoga Cemetery District has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

## ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2021, on our consideration of the Saratoga Cemetery District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Saratoga Cemetery District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Saratoga Cemetery District's internal control over financial reporting and compliance.

*David Farnsworth, CPA*

Dublin, California  
March 16, 2021

# Basic Financial Statement

**SARATOGA CEMETERY DISTRICT**  
**Statement of Net Position**  
**June 30, 2020**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
<b>Current Assets</b>	
Cash and investments	\$ 11,389,121
Interest receivable	17,083
Inventory	16,342
<b>Noncurrent Assets</b>	
Restricted cash and investments	3,290,213
Capital Assets:	
Nondepreciable	1,756,569
Depreciable, net	1,364,218
Total Assets	17,833,546
<b>LIABILITIES</b>	
<b>Current Liabilities:</b>	
Accounts payable	29,994
Accrued expenses	2,950
Due within one year: compensated absences	883
<b>Noncurrent liabilities:</b>	
Due in more than one year:	
Compensated absences	7,950
Total Liabilities	41,777
<b>NET POSITION</b>	
Net investment in capital assets	3,120,787
Restricted for:	
Endowment:	
Expendable	1,745,693
Nonexpendable	1,678,919
Unrestricted	11,246,370
Total Net Position	\$ 17,791,769

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

**SARATOGA CEMETERY DISTRICT**  
**Statement of Activities**  
**For the Year Ended June 30, 2020**

		<u>Program Revenues</u>	<u>Net (Expense) Revenues and Changes in Net Position</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Primary Government Governmental Activities</u>
<b>General Government:</b>			
Interment services	\$ 824,496	\$ 579,566	\$ (244,930)
<b>Total governmental activities</b>	<u>\$ 824,496</u>	<u>\$ 579,566</u>	<u>(244,930)</u>
General revenues			
Property taxes			1,150,412
Investment earnings			448,380
Other revenues			32,802
Contributions to permanent funds			148,800
Total general revenues and contributions			<u>1,780,394</u>
Change in net position			1,535,464
<b>Net position, beginning</b>			16,298,638
Prior period, adjustment (Note 8)			(42,333)
Net position beginning, restated			<u>16,256,305</u>
Net position, ending			<u>\$ 17,791,769</u>

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

**SARATOGA CEMETERY DISTRICT**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2020**

	<b>Major Funds</b>			<b>Total Governmental Funds</b>
	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Permanent Fund</b>	
<b>ASSETS</b>				
Cash	1,975,876	\$ 2,768,769	419,258	\$ 5,163,903
Investments	-	6,510,077	3,005,354	9,515,431
Interest receivable	8,118	8,965	-	17,083
Inventory	16,342	-	-	16,342
Total assets	\$ 2,000,336	\$ 9,287,811	\$ 3,424,612	\$ 14,712,759
<b>LIABILITIES</b>				
Accounts payable	\$ 19,590	\$ 10,404	\$ -	\$ 29,994
Accrued payroll	2,950	-	-	2,950
Total liabilities	22,540	10,404	-	32,944
<b>FUND BALANCES</b>				
Nonspendable	16,342	-	1,678,919	1,695,261
Restricted:				
Maintenance and repairs of cemetery	-	-	1,745,693	1,745,693
Committed:				
Land acquisition	-	4,000,000	-	4,000,000
Assigned:				
Capital projects	-	5,277,407	-	5,277,407
Unassigned	1,961,454	-	-	1,961,454
Total fund balances	1,977,796	9,277,407	3,424,612	14,679,815
Total liabilities and fund balances	\$ 2,000,336	\$ 9,287,811	\$ 3,424,612	\$ 14,712,759

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



**SARATOGA CEMETERY DISTRICT**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**To the Statement of Net Position**  
**June 30, 2020**

Fund balances of governmental funds		\$ 14,679,815
Total governmental fund balances		
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets at cost	4,972,682	
Accumulated depreciation	<u>(1,851,895)</u>	3,120,787
Compensated absences are not due and payable in the current period and therefore are not reported as liabilities in the funds.		<u>(8,833)</u>
Net position of governmental activities		<u><u>\$ 17,791,769</u></u>

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

**SARATOGA CEMETERY DISTRICT**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2020**

	<b>Major Funds</b>			<b>Total Governmental Funds</b>
	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Permanent Fund</b>	
<b>REVENUES</b>				
Property taxes	\$ 1,150,412	\$ -	\$ -	\$ 1,150,412
Charges for services	164,148	415,418	-	579,566
Investment earnings	33,285	293,837	121,257	448,379
Other revenues	-	32,802	-	32,802
Contributions	-	-	148,800	148,800
<b>Total revenues</b>	<b>\$ 1,347,845</b>	<b>\$ 742,057</b>	<b>\$ 270,057</b>	<b>\$ 2,359,959</b>
<b>EXPENDITURES</b>				
General Government:				
Salaries and employee benefits	279,284	-	-	279,284
Services and supplies	385,351	95,122	-	480,473
Capital outlay	-	71,707	-	71,707
<b>Total expenditures</b>	<b>664,635</b>	<b>166,829</b>	<b>-</b>	<b>831,464</b>
<b>Net change in fund balances</b>	<b>683,210</b>	<b>575,228</b>	<b>270,057</b>	<b>1,528,495</b>
<b>FUND BALANCES</b>				
Fund balances - beginning of year	1,271,320	8,675,364	3,154,555	13,101,239
Prior period adjustment (Note 8)	23,266	26,815	-	50,081
Fund balances - beginning of year, restated	1,294,586	8,702,179	3,154,555	13,151,320
Fund balances - end of year	<b>\$ 1,977,796</b>	<b>\$ 9,277,407</b>	<b>\$ 3,424,612</b>	<b>\$ 14,679,815</b>

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

**SARATOGA CEMETERY DISTRICT**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in**  
**Fund Balances of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2020**

Net change in fund balances - governmental funds \$ 1,528,495

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital asset additions	71,707	
Depreciation expense	<u>(67,112)</u>	4,595

In the Statement of Activities, compensated absences are measured by the amount earned during the year. In governmental funds, however, expenditures for those items are measured by the amount of financial resources used (essentially the amounts paid). This year, vacation amount paid exceeded the amounts earned.

2,374

Change in net position of governmental activities

\$ 1,535,464

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

**SARATOGA CEMETERY DISTRICT**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2020**

<b>ASSETS</b>	<u><b>Agency Funds</b></u>
Cash and cash equivalents	\$ 179,544
Investments	624,872
Interest receivable	<u>475</u>
Total Assets	<u><u>\$ 804,891</u></u>
<b>LIABILITIES</b>	
Amounts held for others	804,891
Total liabilities	<u><u>\$ 804,891</u></u>

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

**SARATOGA CEMETERY DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2020**

**Note 1—Summary of Significant Accounting Policies**

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The Saratoga Cemetery District (the “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.

The financial statements of the District have been prepared in conformity with the accounting principles generally accepted in the United States of America (“GAAP”), as specified by the Governmental Accounting Standards Board (“GASB”). The more significant of the District’s accounting policies are described below.

Financial Statement Presentation

The District’s financial report is prepared in accordance with GAAP which prescribes that the following sections be presented:

- Management’s Discussion and Analysis - GAAP requires the financial statements be accompanied by a narrative introduction and analytical overview of the government’s financial activities in the form of management’s discussion and analysis (“MD&A”). The District has not presented the Management’s Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

- Government-Wide Financial Statements - The reporting model includes financial statements prepared using full accrual accounting for all of the government’s activities. This approach includes not just current assets and liabilities but also capital assets and long-term liabilities (such as buildings and general obligation debt).

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the Primary Government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the Primary Government is reported separately from certain legally separate component units for which the Primary Government is financially accountable.

Statement of Net Position - The Statement of Net Position is designed to display the financial position of the Primary Government (government and business-type activities) and its discretely presented component units. Governments will report all capital assets in the government-wide Statement of Net Position and will report depreciation expense - the cost of “using up” capital assets - in the Statement of Activities. The net position of a government will be broken down into three categories - 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

Statement of Activities - The government-wide Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of the government’s functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

**SARATOGA CEMETERY DISTRICT**  
**Notes to the Financial Statements**  
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The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items are not included among program revenues as they are not levied for a particular program.

Separate financial statements are provided for the major individual governmental funds reported as separate columns in the fund financial statements.

- Required Supplementary Information (“RSI”) - Demonstrating compliance with the adopted budget is an important component of a government’s accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. Under the GAAP reporting model, governments provide budgetary comparison information in their annual reports including the original budget, final budget and actual results.
- Financial Reporting Entity - The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a Primary Government’s reporting entity for the basic financial statements is financial accountability wherein the entity is both fiscally dependent on the Primary Government and provides either a benefit or creates a burden on the Primary Government. The District does not have any component units.

**1. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The accompanying financial statements are prepared in accordance with GAAP as applicable to governmental units. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue in the fiscal year when all eligibility requirements imposed by the provider have been satisfied. Fiduciary funds financial statements are reported on the accrual basis of accounting and do not measure operations.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (general government and culture and recreation) which are otherwise being supported by general government revenues, (property certain intergovernmental revenues, permits, and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function activity.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenues are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting; however, debt service expenditures as well as expenditures related to compensated absences and claims, and judgments are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property

**SARATOGA CEMETERY DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2020**

taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as unavailable revenues. Licenses, permits, are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state, and other grants for the purpose of funding specific expenditures, are recognized when all eligibility requirements have been satisfied. Revenues from general purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when cash is received by the government.

In the fund financial statements, financial transactions and accounts of the District are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

1. Governmental Funds - Governmental Funds are those through which most governmental functions typically are financed. The District reports the General Fund, Capital Projects Fund, and Permanent Funds as major governmental funds.

General Fund - The General Fund is the primary operating fund of the District. This fund is used to account for all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service, and interest income.

Capital Projects Fund - The capital projects fund accounts for the acquisition and construction of the District's major capital expenditures.

Permanent Fund - The permanent fund is used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support maintenance and repairs of the cemetery.

2. Additionally, the District reports the following fiduciary fund types:

Agency Funds - The agency funds account for monies held for the pre-need fund to which the District provides prepaid internment services.

## **2. Budgetary Information**

### *1. Budgetary basis of accounting*

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. The capital projects fund is appropriated on a project-length basis. The permanent fund does not have an appropriated budget since other means control the use of these resources (e.g., endowment requirements).

The appropriated budget is prepared by fund. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account. Changes require the approval of the Board of Trustees. Appropriations in the budgeted fund lapse at the end of the fiscal year.

These budgets are revised by the District's governing board and general manager during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets for the General Fund are presented as Required Supplementary Information.

**SARATOGA CEMETERY DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2020**

**3. Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**4. Assets, liabilities, deferred outflows/inflows, and net position/fund balance**

**1. *Investments***

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposits, and other nonparticipating investments are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

The California Local Agency Investment Fund is managed by the California, Office of the Treasurer, which allows certain types of governments within the state to pool their funds for investment purposes. Investments in the Pool are valued at the Pool’s share price, the price at which the investment could be sold.

**2. *Inventories***

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable vaults. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

**3. *Capital Assets***

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements for the District. Capital assets are defined by the Districts as land, buildings, infrastructure, and equipment with an initial individual cost of more than \$2,500 (amount not rounded). Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the Primary Government, are depreciated using the straight-line method over the following estimated useful lives.

Assets	Years
Buildings	20
Motor vehicles	10
Equipment	5 - 20
Infrastructure	20 - 30

**4. *Net Position***

For government-wide reporting, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- *Net investment in capital assets* consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the



**SARATOGA CEMETERY DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2020**

acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

- *Restricted* net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- *Unrestricted* net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g. restricted bonds or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

### **5. Fund Balance**

In the governmental fund financial statements, fund balance may be composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance, and lastly unassigned fund balance. The governmental fund types classify fund balances as follows:

- **Nonspendable Fund Balance** – This classification includes amounts that cannot be spent because they are either (a) not in spendable form (e.g., inventory) or (b) legally or contractually required to be maintained intact (e.g., long-term amount of loans/note receivable)
- **Restricted Fund Balance** – This classification includes amounts that are restricted to specific purposes by external parties, constitutional provisions, or imposed by creditors (e.g., bond covenants). Interest earned on the endowment principle is restricted for repairs and maintenance of cemetery grounds.
- **Committed Fund Balance** – This portion of fund balance can only be used for specific purposes determined by a formal action of the District's highest level of decision-making authority. Any changes or removal of specific purpose requires majority action by the governing body. The capital projects fund committed funds for land acquisition.
- **Assigned Fund Balance** – The portion of fund balance that the District intends to use for specific purposes as expressed by the governing body itself, the budget document, or delegated official, the District Manager. Fund balances in the General Fund are assigned by resolution of the Board of Directors. The assigned fund balance is to reserve funds for future capital expenditures.
- **Unassigned Fund Balance** – The portion of the fund balance available for any purpose. Includes all spendable amounts not classified as nonspendable, restricted, committed, or assigned. The General Fund is the only fund that would report a positive amount in the unassigned fund balance.

As previously mentioned, sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the sample purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**SARATOGA CEMETERY DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2020**

**5. Revenues and expenditures/expenses**

**1. *Program revenues***

Amounts reported as program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided or fines imposed by a given function, (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

**2. *Property taxes***

The District receives property tax revenue from Santa Clara County (the County). The County is responsible for assessing, collecting and distributing property taxes in accordance with state law. Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The counties apportion secured property tax revenue in accordance with the alternate method of distribution prescribed by Section 4705 of the California Revenue and Taxation Code. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll - approximately October 1 of each year. Taxes are levied annually on July 1st, and one-half are due by November 1st and one-half by February 1st. Taxes are delinquent after December 10th and April 10th, respectively. Supplemental property taxes are levied on a pro-rata basis when changes in assessed valuation occur due to the completion of construction or sales transactions. Liens on real property are established on January 15th for the ensuing fiscal year.

On March 31, 1993, the Board of Supervisors adopted the "Teeter" method of property tax allocation. This method allocates property taxes based on the total property tax billed. At year-end, the County advances cash to each taxing jurisdiction equal to its current year delinquent taxes. Once the delinquent taxes are collected, the revenue from penalties and interest remains with the County and is used to pay the interest cost of borrowing the cash used for the advances.

**3. *Compensated Absences***

Vacation

The District's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from government-service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

Sick Leave

Accumulated sick leave lapses when employees leave the employ of the District and, upon separation from service, no monetary obligation exists.

**SARATOGA CEMETERY DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2020**

**Note 2—Deposits and Investments**

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**A. Cash and investments**

It is the policy of the Saratoga Cemetery District to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the District and confirming to all state and local statutes governing the investment of public funds, using the “prudent person” standard for managing the overall portfolio. The primary objective of the policy is safety (preservation of capital), liquidity, and yield.

The District's Investment Policy and the California Government Code allow the District to invest in the following provided the credit ratings of the issuers are acceptable to the District and approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code or the District's Investment Policy where it is more restrictive:

<b>Authorized Investment Type</b>	<b>Maximum Remaining Maturity</b>	<b>Maximum Percentage of Portfolio</b>	<b>Required Rating</b>
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
State Obligations CA and Others	5 years	None	None
CA Local Agency Obligations	5 years	None	None
U.S. Agency Obligations	5 years	None	None
Banker’s Acceptances	5 years	None	None
Commercial Paper – Selected Agencies	270 Days	None	None
Commercial Paper – Other Agencies	270 Days	None	None
Negotiable Certificates of Deposit	5 years	None	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base value	None
Medium Term Corporate Notes	5 years	30%	A
Money Market Mutual Funds & Mutual Funds	N/A	20%	Multiple
Collateralized Bank Deposits	5 years	None	None
Mortgage pass-Through Securities	5 years	20%	AA
Bank/Time Deposits	5 years	None	None
County pooled Investment Funds	5 years	None	None
Joint Powers Authority	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

The District utilizes a pooled cash and investment concept for the cash deposits in financial institutions, to maximize its investment program. Investment income from this internal pooling is allocated to the respective funds based upon the sources of funds invested.

The District has authorized staff to invest cash with the Santa Clara County Treasurer in a series of pooled accounts with cash from various other governmental entities within the County, for investment purposes. State statutes govern the County’s investment policies.

**SARATOGA CEMETERY DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2020**

**B. Cash deposits with financial institutions**

*Custodial credit risk – deposits.* In the case of deposits, this is the risks that in the event of a bank’s failure, the District’s deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2020, the District’s bank balance \$5,343,447 and \$5,093,447 of that amount was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging or financial institutions’ trust department or agent, but not in the District’s name. The carrying amount of the deposits as of June 30, 2020, was \$5,343,447.

Government-wide Statement of Net Position	
Governmental activities:	
Cash with financial insitutions	\$ 551,348
Cash with Santa Clara Investment Pool	4,372,530
Cash with fiscal agents/brokers	240,025
Total	5,163,903
Fiduciary Funds	
Agency Fund:	
Cash with financial insitutions	8,685
Cash with Santa Clara Investment Pool	119,694
Cash with fiscal agents/brokers	51,165
Total	179,544
Total carrying amount of deposits	\$ 5,343,447

*Cash in the Santa Clara County Treasury* – Santa Clara County is a fiscal agent of the District. The fair value of the District's investment in the county pool is reported at amounts based on 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 the portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized costs basis. Santa Clara County investment pool funds were available for withdrawal on demand and had an average maturity date of 436 days. All cash and investments are stated at fair value. Pooled investment earnings are allocated monthly based on the average cash and investment balances of the various funds of the County.

**C. Investments**

State statutes authorize the Saratoga Cemetery District to invest in obligations of the U.S. Treasury and U.S. Agencies, mutual funds with portfolios of securities issued or guaranteed by the United States Government, or agreements to repurchase these same obligations, negotiable and non-negotiable certificates of deposit, municipal bonds, commercial paper, corporate bonds, and the State Treasurer’s Investment Pool.

*California Local Agency Investment Fund* – The District is a participant in the Local Agency investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The District reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage- backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, States Treasury Notes and Bills, and corporations. At June 30, 2020, these investments had an average maturity date of 173 days.

**SARATOGA CEMETERY DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2020**

*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 Investment Pool and LAIF, which had fair values of approximately \$8.8 billion and \$103.3 billion, respectively as of June 30, 2020. The sensitivity of the fair values of the District’s investments to market interest rate fluctuation is measured as the weighted average maturity of the investment portfolio, which was less than one-year on June 30, 2020.

As of June 30, 2020, the District had the following investments:

<b>Investment Type</b>	<b>Fair Value</b>	<b>Investment Maturities (in Years)</b>		
		<b>Less than 1 year</b>	<b>1-5 years</b>	<b>More than 5 years</b>
Local Agency Investment Fund	\$ 991,301	\$ 991,301	\$ -	\$ -
Negotiable Certificates of Deposits	1,602,376	257,455	1,344,921	-
Corporate Bonds	3,178,806	526,291	2,652,515	-
Foreign Bonds	176,436	122,932	53,504	-
Mutual Funds	1,401,038	1,401,038	-	-
Municipal Bonds	2,790,346	100,632	2,231,697	458,017
<b>Total Investments at Fair Value</b>	<b>\$ 10,140,303</b>	<b>\$ 3,399,649</b>	<b>\$ 6,282,637</b>	<b>\$ 458,017</b>

*Credit Risk*. – Generally, credit Risk is the risk of loss due to the failure of the security issuer. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The summary of investments table above shows the minimum rating under the actual rating of the District’s investments at year end. The investment with the County’s investment pool is governed by the County’s general investment policy. The County’s investments in 2019-20 included U.S. government securities or obligations explicitly guaranteed by the U.S. government that are not considered to have credit risk exposure. The District’s investment in LAIF is not rated. The District’s cash with fiscal agent and brokers includes investments rated from BAA1 to AA+.

*Custodial Credit Risk – Investments* – Custodial credit risk 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.

*Concentration of Credit Risk* – The concentration of credit risk is the risk of loss that may be caused by the District’s investment in a single issuer. The District’s investment policy does not provide guidance about concentration of credit risk.

The District’s policy specifically prohibits the use of or the investment in derivatives and tri-party repurchase agreements.

*Fair Value of Investments* – The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy has three levels and is based on the valuation inputs used to measure an asset’s fair value. Deposits and withdrawals in the Santa Clara County Investment Pool are made in the basis of \$1 and not fair value. These guidelines established by generally accepted accounting principles (GAAP). These guidelines recognize a three-tiered fair value hierarchy as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than those in Level 1; and

**SARATOGA CEMETERY DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2020**

- *Level 3*: Unobservable inputs

Debt and equity securities classified as Level 1 are value using prices quoted in active markets for those securities. Debt and equity securities classified in Level 2 are valued using the following approaches: debt securities are normally valued based on price data obtained from observed transactions and market price quotations from broker dealers and/or pricing vendors; equity securities are valued using fair value per share for each fund. Certificates of deposit classified in level 2 are valued using broker quotes that utilize observable market inputs. Securities classified as Level 3 have limited trade information, these securities are prices using the last trade price or estimated using recent trade prices. At June 30, 2020, the District had the following recurring fair value measurements:

<b>Investments by Fair Value Level</b>	<b>June 30, 2020</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Local Agency Investment Fund	\$ 991,301	\$ 991,301	\$ -	\$ -
Negotiable Certificates of Deposits	1,602,376	1,602,376	-	-
Corporate Bonds	3,178,806	-	3,178,806	-
Foreign Bonds	176,436	-	176,436	-
Mutual Funds	1,401,038	1,401,038	-	-
Municipal Bonds	2,790,346	-	2,790,343	-
<b>Total Investments at Fair Value</b>	<b>\$ 10,140,303</b>	<b>\$3,399,649</b>	<b>\$6,282,637</b>	<b>\$ -</b>

*Reconciliation to basic financial statements* – The investments as of June 30, 2020, are reported in the financial statements as follows:

Government-side Statement of Net Position	
Governmental activities	\$ 9,515,431
Fiduciary Funds	
Agency Fund	<u>624,872</u>
Total investments	<u>\$ 10,140,303</u>

**Note 3—Capital Assets**

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2020:

	<b>Balance July 1, 2019</b>	<b>Prior Period Adjustment</b>	<b>Restated Balance July 1, 2019</b>	<b>Increase</b>	<b>Decrease</b>	<b>Balance June 30, 2020</b>
Governmental Activities:						
Capital assets not subject to depreciation:						
Land	\$ 1,690,158	\$ -	\$ 1,690,158	\$ -	\$ -	\$ 1,690,158
Work in progress	-	-	-	66,411	-	66,411
Total capital assets not subject to depreciation	<u>1,690,158</u>	<u>-</u>	<u>1,690,158</u>	<u>66,411</u>	<u>-</u>	<u>1,756,569</u>
Capital assets subject to depreciation:						
Buildings, improvements, and infrastructure	3,079,072	(32,288)	3,046,784	-	-	3,046,784
Machinery and equipment	133,889	30,145	164,034	5,296	-	169,330
Total capital assets being depreciated	<u>3,212,961</u>	<u>(2,143)</u>	<u>3,210,818</u>	<u>5,296</u>	<u>-</u>	<u>3,216,114</u>
Less accumulated depreciation for:						
Buildings, improvements, and infrastructure	(1,559,424)	(89,723)	(1,649,147)	(64,047)	-	(1,713,194)
Machinery and equipment	(135,089)	(548)	(135,637)	(3,065)	-	(138,702)
Total accumulated depreciation	<u>(1,694,513)</u>	<u>(90,271)</u>	<u>(1,784,784)</u>	<u>(67,112)</u>	<u>-</u>	<u>(1,851,896)</u>
Total capital assets being depreciated, net	<u>1,518,448</u>	<u>(92,414)</u>	<u>1,426,034</u>	<u>(61,816)</u>	<u>-</u>	<u>1,364,218</u>
Capital assets, net	<u>\$ 3,208,606</u>	<u>\$ (92,414)</u>	<u>\$ 3,116,192</u>	<u>\$ 4,595</u>	<u>\$ -</u>	<u>\$ 3,120,787</u>

Depreciation expense for the year ended June 30, 2020 was \$67,112.

**SARATOGA CEMETERY DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2020**

**Note 4—Long-term Liabilities**

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Changes in long-term liabilities for the year ended June 30, 2020 are as follows:

Primary Government:	<u>Balance</u> <u>July 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2020</u>	<u>Due Within</u> <u>One Year</u>
Compensated absences payable	\$ 11,207	\$ 6,545	\$ (8,919)	\$ 8,833	\$ 883
Total	<u>\$ 11,207</u>	<u>\$ 6,545</u>	<u>\$ (8,919)</u>	<u>\$ 8,833</u>	<u>\$ 883</u>

**Note 5—Litigation**

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At June 30, 2020, there were no matters of litigation involving the District or which would materially affect the District's financial position should any court decisions on pending matters not be favorable to such entities.

**Note 6—Deferred Compensation Plan**

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The District offers a deferred compensation 457b plan to all employees with the exception of Board members. The District also offers all employees a 401A retirement plan in which the District contributes 10% of the employee's base pay at the end of each quarter to Nationwide Retirement solutions. Board members are excluded from this plan.

**Note 7—Risk Management**

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The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District uses the Special District Risk Management Authority to account for and finance risks for workers' compensation, general liability, and property damage. Insurance policies are purchased for the following exposures with the deductible, or the amount of risk retention indicated in parenthesis: public officials and employee practices liability (\$1,000/\$1,000 deductible), boiler and machinery (\$1,000 deductible), employee faithful performance (\$1,000 deductible), and an excess liability insurance policy of the Saratoga Cemetery District retains risks up to \$2,500,000. There were no settlements in excess of the insurance coverage in any of the three prior fiscal years.

During the year ended June 30, 2020, the District made payments of approximately \$16,101 to SDRMA for its coverage.

**Note 8—Prior Period Adjustment**

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The prior period adjustment is due to unreported prior period interest receivables, misstated payables, and capital asset balances that did not reconcile to capital asset schedule.

	<u>Governmental</u> <u>Activities</u>
Interest receivable	\$ 22,959
Capital assets, net	(92,414)
Accounts payable	15,932
Accrued payables	11,190
Total prior period adjustment	<u>\$ (42,333)</u>

**SARATOGA CEMETERY DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2020**

	<b>General Fund</b>	<b>Capital Improvements Fund</b>	<b>Permanent Fund</b>	<b>Total Governmental Funds</b>
Interest receivable	\$ 7,334	\$ 15,625	\$ -	\$ 22,959
Accounts payable	15,932	-	-	15,932
Accrued payables	-	11,190	-	11,190
Total prior period adjustment	<u>\$ 23,266</u>	<u>\$ 26,815</u>	<u>\$ -</u>	<u>\$ 50,081</u>

**Note 9—Change in Accounting Principle**

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The District previously reported fiduciary funds as a private-purpose trust fund and changed its reporting to an agency fund. This treatment is considered preferable because the assets held for others is held on a temporary, purely custodial basis before passing the resources on to their ultimate recipient. In addition, the resources held for the recipients are also refundable at any time. Therefore, net position is not reported and the effect on the change of the beginning net position is as follows:

Beginning balance - net position	\$ 733,821
Deletion of the private-purpose trust fund	<u>(733,821)</u>
Ending balance - net position	<u>\$ -</u>

**Note 10—Stewardship, Compliance, and Accountability**

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Excess of expenditures over appropriations in individual funds is as follows:

<b>Major Fund</b>	<b>Account</b>	<b>Excess Expenditures</b>
General fund	Salaries and employee benefits	\$ 4,804



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## **Required Supplementary Information**

**SARATOGA CEMETERY DISTRICT**  
**General Fund**  
**Statement of Revenues Expenditures and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ 1,150,412	\$ 1,150,412
Charges for services	-	-	164,148	164,148
Investment earnings	-	-	33,285	33,285
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	-	-	1,347,845	1,347,845
	<hr/>	<hr/>	<hr/>	<hr/>
<b>EXPENDITURES</b>				
General Government:				
Salaries and employee benefits	274,480	274,480	279,284	(4,804)
Services and supplies	454,410	454,410	385,351	69,059
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	728,890	728,890	664,635	64,255
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balances	(728,890)	(728,890)	683,210	1,412,100
	<hr/>	<hr/>	<hr/>	<hr/>
<b>FUND BALANCES</b>				
Fund balances - beginning of year	1,271,320	1,271,320	1,271,320	-
Prior period adjustment	23,266	23,266	23,266	-
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balances - beginning of year, restated	1,294,586	1,294,586	1,294,586	-
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balances - end of year	<u>\$ 565,696</u>	<u>\$ 565,696</u>	<u>\$ 1,977,796</u>	<u>\$ 1,412,100</u>

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

**SARATOGA CEMETERY DISTRICT**

**Notes to Required Supplementary Information**

**Statement of Revenues Expenditures and Changes in Fund Balance – Budget to Actual**

**June 30, 2020**

**Budgetary Basis of Accounting**

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Budgets for the general fund are prepared on generally accepted accounting principles basis. Revenues are budgeted in the year receipt is expected; expenditures are budgeted in the year that the applicable warrant requisitions are expected to be issued. The budget and actual financial statements are reported on the above basis.

Annual budget requests are submitted by the District's staff to the District Board of Trustees for preliminary review and approval. After public hearing, a final budget is approved by the District Board of Trustees, with a resolution adopting said budget. Copies of the approved budget are sent to all required agencies.

## **Other Independent Auditor's Report**



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees  
Saratoga Cemetery District  
Saratoga, California

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Saratoga Cemetery District (the "District") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 16, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did identify deficiencies in internal control that we consider to be material weaknesses, described in the accompanying schedule of findings and recommendations as items 2020-01, 2020-02, and 2020-03.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Saratoga Cemetery District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under Government Auditing Standards.

### **Saratoga Cemetery District's Response to Findings**

District's response to the findings identified in our audit is described in the accompanying schedule of findings and recommendations. Saratoga Cemetery District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*David Farnsworth, CPA*

Dublin, California  
March 16, 2021

**SARATOGA CEMETERY DISTRICT**  
**Schedule of Findings and Recommendations**  
**June 30, 2020**

**2020-001 Cash (Material Weakness)**

**Criteria**

An organization should have policies and monitoring controls to ensure that cash accounts are reconciled on a timely basis at the account and fund level.

**Condition**

Cash reconciliations were not performed in accordance with District policy. There were one cash account with a financial institution, 4 accounts with the Santa Clara Investment Pool, and four investment accounts that were not reconciled from January 2020 through June 2020 until September 2020. We encountered errors while testing cash reconciliations. There were errors in the reclassification of \$84,748 in the general fund, \$19,424 in the capital improvements fund, and (\$93,669) in the endowment fund. These errors were found in the pooled cash account with a financial institution.

**Cause**

The District did not comply with financial District policies and monitoring controls over cash operations were not working effectively.

**Effect of Condition**

The District runs the risk of communicating financial reports to the Board, management, or other stakeholders with cash balances not reporting the correct cash position and not reporting the correct cash position for any given fund.

**Recommendation**

We recommend implementing monitoring controls over cash operations to ensure cash reconciliations are performed in accordance with District policy at the account and fund level.

**Views of Responsible Officials**

Management accepts the audit finding and is planning on fixing the material weakness. Management plans to enforce quarterly cash reconciliations on an account and fund basis after the end of each quarter. The timeline is to prepare bank reconciliations no later than 60 days after quarter end. Management is planning on rectifying the material weakness no later than May 21, 2021.



**SARATOGA CEMETERY DISTRICT**  
**Schedule of Findings and Recommendations**  
**June 30, 2020**

**2020-002 Payroll (Material Weakness)**

**Criteria**

An organization should have policies and monitoring controls to ensure that payroll timesheets are prepared and signed by employees and management to ensure payroll is reported accurately.

**Condition**

Payroll timesheets were not prepared nor signed by the employees or management from April 2020 through June 2020. We performed alternative audit procedures of payroll to recompute the payroll from April 2020 through June 2020 to reconcile the payroll expense for that period. No substantial adjustments were proposed as a result of the recalculation of payroll.

**Cause**

Monitoring controls over payroll were not working effectively.

**Effect of Condition**

The District runs the risk of reporting the payroll expense incorrectly. In addition, the District does not have a way to provide evidence of work performed if an employee were to protest the payroll for any given period between April – June 2020.

**Recommendation**

We recommend implementing monitoring controls over payroll to ensure payroll is properly reported.

**Views of Responsible Officials**

Management accepts the audit finding and is planning on fixing the material weakness. Management plans on mandating that all hourly employees complete a timesheet for each day work.

**SARATOGA CEMETERY DISTRICT**  
**Schedule of Findings and Recommendations**  
**June 30, 2020**

**2020-003 Financial Reporting (Material Weakness)**

**Criteria**

An organization should have policies and effective internal controls over financial reporting of receivables, capital assets, payables, and fiduciary activities.

**Condition**

While performing beginning balance reconciliations, we discovered unreported interest receivable in the amount of \$22,959, capital assets not reconciling to the capital asset schedule in the amount of (\$92,414), misstated payables of \$27,122. In addition, we discovered fiduciary activity assets are held on a temporary custodial basis and refundable at any time. The fiduciary activity serves as an agency fund rather than a private-purpose trust fund.

**Cause**

The District does not have effective internal controls over financial reporting of receivables, capital assets, payables, and fiduciary activities.

**Effect of Condition**

The misstatement adjustment for governmental activities reported an amount of (\$42,333). The misstatement adjustment for governmental funds reported an amount of \$50,081. The misstatement adjustment for fiduciary funds reported an amount of \$733,821.

**Recommendation**

We recommend implementing effective internal controls over financial reporting of receivables, capital assets, accounts payable, accrued payables, and fiduciary activities.

**Views of Responsible Officials**

Management accepts the audit finding and is planning on fixing the material weakness. Management plans to work closely with the District accountant to improve internal controls over financial reporting over receivables, capital assets, accounts payable, accrued payables, and fiduciary activities.