SARATOGA CEMETERY DISTRICT

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
June 30, 2019
*   *   *

Chavan & Associates, LLP
Certified Public Accounts
1475 Saratoga Ave, Suite 180
San Jose, CA 95129

Saratoga Cemetery District

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CHAVAN & ASSOCIATES, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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 (the "District"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The District's 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's Minimum Audit Requirements for California Special Districts. 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 District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall 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, and the aggregate remaining fund information of the Saratoga Cemetery District, as of June 30, 2019, and the respective changes in

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financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, as listed in the table of contents, 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.

Management has omitted the management's discussion and analysis information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2019 on our consideration of the 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 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 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 District's internal control over financial reporting and compliance.

C & A LLP

December 10, 2019
San Jose, California

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BASIC FINANCIAL STATEMENTS

Saratoga Cemetery District

Statement of Net Position

June 30, 2019

		Governmental Activities
ASSETS		
Current assets:		
Cash and cash equivalents	$	4,742,673
Accounts receivable		2,314
Inventory		9,116
Total current assets		4,754,103
Noncurrent assets:		
Investments		8,379,862
Capital assets, net of depreciation		3,208,606
Total noncurrent assets		11,588,468
Total Assets	$	16,342,571
LIABILITIES		
Current liabilities:		
Accounts payable	$	17,410
Payroll and other liabilities		4,126
Deposits		11,190
Total current liabilities		32,726
Noncurrent liabilities:		
Compensated absences		11,207
Total Liabilities	$	43,933
NET POSITION		
Net investment in capital assets	$	3,208,606
Restricted for permanent endowment fund		3,154,555
Unrestricted		9,935,477
Total Net Position	$	16,298,638

The notes to the financial statements are an integral part of this statement.

Saratoga Cemetery District

Statement of Activities

For the Fiscal Year Ended June 30, 2019

	Expenses	Program Revenues	Net (Expense) Revenue and Changes in Net Position
Governmental activities:			
Interment services	$ 614,217	$ 598,777	$ (15,440)
Depreciation	62,580	-	(62,580)
Total governmental activities	$ 676,797	$ 598,777	(78,020)
General revenues:			
Property taxes			1,083,871
Investment earnings			424,863
Endowment care			64,725
Total general revenues and special items			1,574,459
Change in net position			1,496,439
Net position beginning			14,802,199
Net position ending			$ 16,298,638

The notes to the financial statements are an integral part of this statement.

Saratoga Cemetery District

Balance Sheet
Governmental Funds
June 30, 2019

	General Fund	Capital Projects Fund	Permanent Endowment Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 1,216,572	$ 3,295,376	$ 230,725	$ 4,742,673
Investments	-	5,391,178	2,988,684	8,379,862
Accounts receivable	2,314	-	-	2,314
Due from other funds	64,854	-	-	64,854
Inventory	9,116	-	-	9,116
Total Assets	$ 1,292,856	$ 8,686,554	$ 3,219,409	$ 13,198,819
LIABILITIES				
Accounts payable	$ 17,410	$ -	$ -	$ 17,410
Payroll and other liabilities	4,126	-	-	4,126
Due to other funds	-	-	64,854	64,854
Deposits	-	11,190	-	11,190
Total Liabilities	21,536	11,190	64,854	97,580
FUND BALANCE				
Nonspendable	-	-	896,501	896,501
Restricted	-	-	2,258,054	2,258,054
Committed for land acquisition	-	4,000,000	-	4,000,000
Assigned for capital projects	-	4,675,364	-	4,675,364
Unassigned	1,271,320	-	-	1,271,320
Total Fund Balance	1,271,320	8,675,364	3,154,555	13,101,239
Total Liabilities and Fund Balance	$ 1,292,856	$ 8,686,554	$ 3,219,409	$ 13,198,819

The notes to the financial statements are an integral part of this statement.

Saratoga Cemetery District
Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position
June 30, 2019

Total fund balance - governmental funds		$ 13,101,239
Amounts reported in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Capital assets at cost	$ 4,903,119	
Accumulated depreciation	(1,694,513)	3,208,606
Compensated absences are not due and payable in the current period and therefore are not reported as liabilities in the funds.		(11,207)
Total net position - governmental activities		$ 16,298,638

The notes to the financial statements are an integral part of this statement.

Saratoga Cemetery District

Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2019

	General Fund	Capital Projects Fund	Permanent Endowment Fund	Total Governmental Funds
Revenues:				
Property taxes	$ 1,083,871	$ -	$ -	$ 1,083,871
Charges for services	155,683	443,094	-	598,777
Investment earnings	20,455	264,452	139,956	424,863
Endowment care	-	-	64,725	64,725
Total revenues	1,260,009	708,546	204,681	2,173,236
Expenditures:				
Salaries and employee benefits	228,177	-	-	228,177
Services and supplies	283,747	104,446	-	388,193
Capital outlay	-	30,145	-	30,145
Total expenditures	511,924	134,591	-	646,515
Excess (deficiency) of revenues over (under) expenditures	748,085	573,955	204,681	1,526,721
Other financing sources (uses):				
Transfers in	-	-	7,545	7,545
Transfers out	(7,545)	-	-	(7,545)
Total other financing sources (uses)	(7,545)	-	7,545	-
Net changes in fund balance	740,540	573,955	212,226	1,526,721
Fund balance beginning	530,780	8,101,409	2,942,329	11,574,518
Fund balance ending	$ 1,271,320	$ 8,675,364	$ 3,154,555	$ 13,101,239

The notes to the financial statements are an integral part of this statement.

Saratoga Cemetery District

Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
to the Statement of Activities
For the Fiscal Year Ended June 30, 2019

Total net change in fund balance - governmental funds		$ 1,526,721
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	$ 32,289	
Depreciation expense	(62,580)	(30,291)
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.		9
Change in net position of governmental activities		$ 1,496,439

The notes to the financial statements are an integral part of this statement.

Saratoga Cemetery District

Statement of Fiduciary Net Position

Pre-Need Fund

June 30, 2019

		Total Pre-Need Fund
ASSETS		
Cash and cash equivalents	$	83,434
Investments		650,387
Total Assets	$	733,821
LIABILITIES		
Accounts payable	$	2,314
NET POSITION		
Held in trust		731,507
Total Liabilities and Net Position	$	733,821

The notes to the financial statements are an integral part of this statement.

Saratoga Cemetery District

Statement of Changes in Fiduciary Net Position

Pre-Need Fund

June 30, 2019

	Total Pre-Need Fund
Additions:	
Pre-need sales	$ 32,218
Investment earnings, net of unrealized gains (losses)	31,689
Total Additions	63,907
Deletions:	
Pre-need uses	17,211
Change in net position	46,696
Net position - beginning	684,811
Net position - ending	$ 731,507

The notes to the financial statements are an integral part of this statement.

NOTE 1 - NATURE OF ORGANIZATION

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Financial Reporting Entity

The reporting entity is comprised of the primary government. The primary government of the District consists of all funds that are not legally separate from the District. This includes the general operations and endowment activities of the District.

The District's combined financial statements include the accounts of all its operations. The District evaluated whether any other entity should be included in these financial statements. The basic, but not the only, criterion for including a governmental department, agency, institution, commission, public authority, or other governmental organization in a governmental unit's reporting entity for general purpose financial reports is the ability of the governmental unit's officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one governmental unit is dependent on another and that the dependent unit should be reported as part of the other.

Oversight responsibility is derived from the governmental unit's power and includes, but is not limited to:

- Financial interdependency
- Selection of governing authority
- Designation of management
- Ability to significantly influence operations
- Accountability for fiscal matters

Accordingly, for the year ended June 30, 2019, the District does not have any component units and is not a component unit of any other reporting entity.

B. Basis of Presentation

The District's Basic Financial Statements are prepared in accordance with the policies and procedures for California special districts. The accounting policies of the District conform to accounting principles generally accepted in the United States of America, and as prescribed by the Governmental Accounting Standards Board and Audits of State and Local Governmental Units, issued by the American Institute of Certified Public Accountants.

Government-wide Financial Statements:

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the District. The Statement of Net Position reports all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund and fiduciary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, includes a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements:

Fund financial statements report detailed information about the District. The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows, current liabilities and deferred inflows are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balance presents increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Fiduciary funds are reported using the economic resources measurement focus.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting.

Revenues - Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within 60 days after year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred Outflows/Deferred Inflows:

Deferred outflows of resources are consumptions of net assets by the government that are applicable to a future reporting period. For example, prepaid items and deferred charges would be classified as deferred outflows of resources.

Deferred inflows of resources are acquisitions of net assets by the government that are applicable to a future reporting period. For example, unearned revenue and advance collections would be classified as deferred inflows of resources.

Unearned Revenue:

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred inflows of resources from unearned revenue. In the governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have been recorded as deferred inflows of resources from unearned revenue.

Expenses/Expenditures:

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity or retained earnings, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's accounts are organized into major and fiduciary funds as follows:

Major Governmental Funds:

The *General Fund* is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

The *Capital Projects Fund* is used to account for proceeds from the sale or acquisition of real property and major capital facilities.

The *Permanent Endowment Fund* is used to account for resources that are restricted to the extent that earnings, but not principal, may be used for purposes that support the District's operations.

Fiduciary Funds:

Private-Purpose Trust Funds are used to account for assets held by the District as trustee. The District maintains one trust fund; the Pre-Need Burial Fund. Earnings in the Pre-Need Burial fund are transferred to the General Fund for the specific purpose of financing burial expenditures.

E. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. By state law, the District's governing board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements.

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.

The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

F. Accounting Estimates

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

G. Assets, Liabilities, and Net Position

1. Cash and Investments

Cash balances held in banks and in revolving funds are insured to $250,000 by the Federal Deposit Insurance Corporation.

All District-directed investments are governed by Government Code Section 53601 and Treasury investment guidelines. The guidelines limit specific investments to government securities, domestic chartered financial securities, domestic corporate issues, and California municipal securities. The District's securities portfolio is held by the County Treasurer Interest earned on investments is recorded as revenue of the fund from which the investment was made.

In accordance with GASB Statement No. 40, *Deposit and Investment Disclosures (Amendment of GASB No.3)*, certain disclosure requirements for Deposits and Investment Risks were made in the areas of interest rate risk and credit risk. The credit risk disclosures include the following components; overall credit risk, custodial credit risk and concentrations of credit risk. In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end and other disclosures.

The District participates in an investment pool managed by the State of California and regulated by California government code Section 16429 known as the Local Agency Investment Fund (LAIF), which has invested a portion of the pooled funds in structured notes and asset-backed securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, the structured notes and asset-backed securities are subject to market risk as to change in interest rates.

2. Cash and Cash Equivalents

Cash represents balances that can be readily withdrawn without substantial notice or penalty. Cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates and have an original maturity date of three months or less.

3. Fair Value Measurements

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. In determining this amount, three valuation techniques are available:

- Market approach - This approach uses prices generated for identical or similar assets or liabilities. The most common example is an investment in a public security traded in an active exchange such as the NYSE.

- Cost approach - This technique determines the amount required to replace the current asset. This approach may be ideal for valuing donations of capital assets or historical treasures.

- Income approach - This approach converts future amounts (such as cash flows) into a current discounted amount.

Each of these valuation techniques requires inputs to calculate a fair value. Observable inputs have been maximized in fair value measures, and unobservable inputs have been minimized.

4. Capital Assets

Capital assets, which include land, buildings and improvements, furniture, equipment, and construction in progress, are reported in the government-wide financial statements. Such assets are valued at historical cost or estimated historical cost unless obtained by annexation or donation, in which case they are recorded at estimated market value at the date of receipt. The District utilizes a capitalization threshold of $2,500.

Projects under construction are recorded at cost as construction in progress and transferred to the appropriate asset account when substantially complete. Costs of major improvements and rehabilitation of buildings are capitalized. Repair and maintenance costs are charged to expense when incurred. Equipment disposed of, or no longer required for its existing use, is removed from the records at actual or estimated historical cost, net of accumulated depreciation.

All capital assets, except land and construction in progress, are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	10 - 20
Site Improvements	5 - 15
Equipment	5 - 20

5. Compensated Absences

All vacation and sick pay plus related payroll tax is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

6. Fund Balance Reserves and Designations

In accordance with Government Accounting Standards Board 54*, Fund Balance Reporting and Governmental Fund Type Definitions*, the District classifies governmental fund balances as follows:

- *Nonspendable* fund balance includes amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

- *Restricted* fund balance includes amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

- *Committed* fund balances includes amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end. Committed fund balances are imposed by the District's board of trustees.

- *Assigned* fund balance includes amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the General Manager.

- *Unassigned* fund balance includes positive amounts within the general fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

The District uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

7. Statement of Net Position

The Statement of Net Position is designed to display the financial position of the District. The District's net position is classified into three categories as follows:

- Net Investment in Capital Assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the 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 also included in this component of net position, as applicable.

- Restricted - This component of net position consists of constraints placed on an assets use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or law and regulations of other governments, and reduced by liabilities and deferred inflows of resources related to those assets. It also pertains to constraints imposed by law or constitutional provisions or enabling legislation. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

- Unrestricted - This component of net position consists of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

8. 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.

9. Risk Management

The District is exposed to various risks including loss or damage to property, general liability, and injuries to employees. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years. No significant reductions in insurance coverage from the prior year have been made. The District participates in a risk pool under a JPA for general liability, automobile, property and workers' compensation coverage.

H. New Accounting Pronouncements

Statement No. 83, Certain Asset Retirement Obligations

This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. As of June 30, 2019, this Statement did not have an impact on the District's financial statements.

GASB Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements

This Statement addresses additional information to be disclosed in the notes to the financial statements regarding debt, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. As of June 30, 2019, this Statement did not have an impact on the District's financial statements.

I. Upcoming Accounting and Reporting Changes

GASB Statement No. 84, Fiduciary Activities

The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2018. Earlier application is encouraged. The District doesn't believe this statement will have a significant impact on the District's financial statements.

GASB issued Statement No. 87, Leases

The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2019. Earlier application is encouraged. The District is in the process of determining the impact this Statement will have on the financial statements.

GASB Statement No. 89, Accounting for Interest Cost Incurred Before the End of the Construction Period

This Statement addresses interest costs incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2019. Earlier application is encouraged. The District doesn't believe this statement will have a significant impact on the District's financial statements.

GASB Statement No. 90, Majority Equity Interests - an Amendment of GASB Statements No. 14 and No. 61

The objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This Statement also requires that a component unit in which a government has 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2018. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis. The District doesn't believe this statement will have a significant impact on the District's financial statements.

GASB Statement No. 91, Conduit Debt Obligations

The objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement also clarifies the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitment and voluntary commitments extended by issuers and arrangements associated with the debt obligations; and improving required note disclosures. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2020. Earlier application is encouraged. The District doesn't believe this statement will have a significant impact on the District's financial statements.

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS

The District's cash, cash equivalents and investments consisted of the following as of June 30, 2019:

Cash, Cash Equivalents and Investments	Available for Operations	Restricted	Fair Value June 30, 2019
Cash and Cash Equivalents:			
Cash on hand and in banks	$ 353,556	$ 230,725	$ 584,281
Cash in the Santa Clara County Treasury	3,193,139	83,434	3,276,573
California Local Agency Investment Fund	965,253	-	965,253
Total Cash and Cash Equivalents	4,511,948	314,159	4,826,107
Investments:			
Cash with fiscal agents/brokers	5,391,178	3,639,071	9,030,249
Total Investments	5,391,178	3,639,071	9,030,249
Total Cash, Cash Equivalents and Investments	$ 9,903,126	$ 3,953,230	$ 13,856,356

Cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted.

	Governmental Funds	Fiduciary Funds	Totals
Cash and investments available for operations	$ 4,742,673	$ 83,434	$ 4,826,107
Restricted cash and investments	8,379,862	650,387	9,030,249
Total cash and investments	$ 13,122,535	$ 733,821	$ 13,856,356

Cash in Banks

Cash balances in banks are insured up to $250,000 per insured bank by the Federal Deposit Insurance Corporation ("FDIC"). The District's accounts are held with various banks. As of June 30, 2019, the District's bank balances of $608,202 exceeded FDIC coverage by $358,202.

Fair Value Measurements

GASB 72 established a hierarchy of inputs to the valuation techniques above. This hierarchy has three levels:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable
- Level 3 inputs are unobservable inputs, such as a property valuation or an appraisal.

District has the following recurring fair value measurements as of June 30, 2019:

- Investments in the County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at $1.00 net asset value per share.
- Cash with fiscal agents and investments with brokers of $9,030,249 was valued using Level 2 inputs.

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.

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, 2019, these investments had an average maturity date of 173 days.

Investment Policy

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:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Required Rating
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	180 days	40%	None
Commercial Paper - Select Agencies	270 Days	25%	A1/A
Commercial Paper - Other Agencies	270 Days	25%	A1/A
Negotiable Certificates of Deposit	5 years	30%	None
CD Placement Service	5 years	30%	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	N/A	None	None
Joint Powers Authority	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Voluntary Investment Program Fund	N/A	None	None

a) 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 the changes in market interest rates. The District manages its exposure to interest rate risk by investing in the Santa Clara County investment pool and LAIF, which had fair values of approximately $8.6 billion and $97.6 billion, respectively as of June 30, 2019.

b) Credit Risk

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 2018-19 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+.

c) Custodial Credit Risk

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.

d) Concentration of Credit Risk

The District's cash and investments did not exceed the limitations noted in the above chart on the amount that can be invested in any one issuer.

Investment Maturities

The following is a summary of investment maturities as of June 30, 2019:

			Maturities				
Investment Type	Rating	Fair Value	12 Months or Less	13 - 24 Months	25 - 60 Months	More Than 60 Months	Concentrations
Certificates of Deposits	N/A	$ 2,693,338	$ 1,036,174	$ 593,198	$ 1,063,966	$ -	29.83%
Cash Sweep Accounts	N/A	40,810	40,810	-	-	-	0.45%
Corporate Bonds	BAA1/A-	1,892,585	174,977	472,285	1,245,323	-	20.96%
Foreign Bonds	A2/A	386,705	244,796	141,909	-	-	4.28%
Gov't Asset Backed CMO Securities	N/A	73,949	-	-	860	73,089	0.82%
Government Bonds	AAA/AA+	3,942,862	843,455	647,529	1,455,233	996,645	43.66%
Total Investments		$ 9,030,249	$ 2,340,212	$ 1,854,921	$ 3,765,382	$ 1,069,734	100.00%

NOTE 4 - CAPITAL ASSETS

The District's capital assets consisted of the following as of June 30, 2019:

Description	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019
Non-depreciable capital assets:				
Land	$ 1,690,158	$ -	$ -	$ 1,690,158
Total non-depreciable capital assets	1,690,158	-	-	1,690,158
Depreciable capital assets:				
Land Improvements	1,832,246	32,289	-	1,864,535
Buildings & Improvements	1,214,537	-	-	1,214,537
Furniture & Equipment	133,889	-	-	133,889
Total depreciable capital assets	3,180,672	32,289	-	3,212,961
Less accumulated depreciation for:				
Land Improvements	649,442	42,182	-	691,624
Buildings & Improvements	847,702	20,098	-	867,800
Furniture & Equipment	134,789	300	-	135,089
Total accumulated depreciation	1,631,933	62,580	-	1,694,513
Total depreciable capital assets - net	1,548,739	(30,291)	-	1,518,448
Total capital assets - net	$ 3,238,897	$ (30,291)	$ -	$ 3,208,606

Depreciation expense for the year ended June 30, 2019, net of adjustments was $62,580.

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables (Due From/To), as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental funds are netted as part of the reconciliation to the government-wide financial statements.

Interfund Transfers
The District transferred $7,545 from the General Fund to the Permanent Endowment Fund during the year.

Interfund Receivables and Payables
The Permanent Endowment Fund owed the General Fund $64,854 as of June 30, 2019 for operating activities incurred during the year.

NOTE 6 - JOINT POWERS AGREEMENTS

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

This entity has budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between SDRMA and the District are included in these statements.

The following is a summary of the most recent financial statement information provided by SDRMA:

	SDRMA June 30, 2018
Total Assets & Deferred Outflows	$ 112,825,268
Total Liabilities & Deferred Inflows	58,240,535
Total Equity	54,584,733
Total Revenues	69,341,632
Total Expenditures	64,849,209

During the year ended June 30, 2019, the District made payments of approximately $15,408 to SDRMA for its coverage.

NOTE 7 - COMMITMENTS AND CONTINGENCIES

Litigation

The District may be exposed to various claims and litigation during the normal course of business. However, management believes there were no matters that would have a material adverse effect on the District's financial position or results of operations as of June 30, 2019.

NOTE 9 - DEFERRED COMPENSATION PLAN

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.

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REQUIRED SUPPLEMENTARY INFORMATION

Saratoga Cemetery District

Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual (GAAP)
General Fund
For the Fiscal Year Ended June 30, 2019

	Budgeted Amounts			
	Original	Final	Actual (GAAP Basis)	Variance with Final Budget Positive - (Negative)
Revenues:				
Property taxes	$ -	$ -	$ 1,083,871	$ 1,083,871
Charges for services	-	-	155,683	155,683
Investment earnings	-	-	20,455	20,455
Total revenues	-	-	1,260,009	1,260,009
Expenditures:				
Salaries and employee benefits	253,519	253,519	228,177	25,342
Services and supplies	375,414	375,414	283,747	91,667
Total expenditures	628,933	628,933	511,924	117,009
Excess (deficiency) of revenues over (under) expenditures	(628,933)	(628,933)	748,085	1,377,018
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	(7,545)	(7,545)
Total other financing sources (uses)	-	-	(7,545)	(7,545)
Net change in fund balance	(628,933)	(628,933)	740,540	1,369,473
Fund balance beginning	530,780	530,780	530,780	1,066,070
Fund balance ending	$ (98,153)	$ (98,153)	$ 1,271,320	$ 2,435,543

OTHER INDEPENDENT AUDITOR'S REPORTS

CHAVAN & ASSOCIATES, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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 Directors
Saratoga Cemetery District
Saratoga, California

We have audited, 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, 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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 10, 2019.

Internal Control over Financial Reporting

Management is responsible for establishing and maintaining effective 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 grant agreements, noncompliance with which could have a direct and

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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*.

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.

C & A LLP

December 10, 2019
San Jose, California

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