

**SARATOGA CEMETERY DISTRICT
ANNUAL FINANCIAL REPORT**

JUNE 30, 2013

SARATOGA CEMETERY DISTRICT
OF SANTA CLARA COUNTY

SARATOGA, CALIFORNIA

JUNE 30, 2013

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Vicky Bosworth	Chair	December 2013
James Nunn	Vice Chair	December 2013
Debra Cummins	Financial Officer	December 2014
Judy Johnstone	Member	December 2013
Wayne McIntyre	Member	December 2015

ADMINISTRATION

Gary T. S. Reed	General Manager
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SARATOGA CEMETERY DISTRICT

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Saratoga Cemetery District
Saratoga, California

I have audited the accompanying financial statements of the governmental activities, each major fund, and the remaining fund information of Saratoga Cemetery District, as of and for the year then ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Saratoga Cemetery District's basic financial statements 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

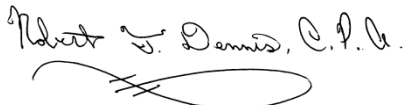
Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of governmental activities, each major fund, and the remaining fund information of Saratoga Cemetery District as of June 30, 2013, 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.

Other Matters

Accounting principles generally accepted in the United States of America require that budgetary comparison information on page 30 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Management has omitted management's discussion and analysis that, as mentioned above, is required to be presented to supplement the basic financial statements. My opinion on the basic financial statements is not affected by this missing information.



Rancho Cucamonga, CA

October 2, 2013

TEL. 909.689.8219
12223 Highland Avenue, Suite #106-625
Rancho Cucamonga, CA 91739

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BASIC FINANCIAL STATEMENTS

SARATOGA CEMETERY DISTRICT

STATEMENT OF NET POSITION AND GOVERNMENTAL BALANCE SHEET
FOR THE YEAR ENDED JUNE 30, 2013

	Fund Financial Statement			
	General Fund	Capital Projects / Land Acquisition Fund	Permanent / Endowment Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,007,736	\$ 1,952,682	\$ 501,316	\$ 3,461,734
Interest receivable	671	10,247	11,017	21,935
Inventory	12,931	-	-	12,931
Investments	-	1,209,417	1,791,739	3,001,156
Capital assets, non-depreciable	-	-	-	-
Capital assets, depreciable, net	-	-	-	-
Total Assets	\$ 1,021,338	\$ 3,172,346	\$ 2,304,072	\$ 6,497,756
LIABILITIES				
Accrued liabilities	\$ 14,270	\$ 212	\$ -	\$ 14,482
Deposits held for rental property	-	-	-	-
Compensated absence payable	-	-	-	-
Total Liabilities	14,270	212	-	14,482
FUND BALANCES/ NET POSITION				
Invested in capital assets, net of related debt	-	-	-	-
Non-spendable / Restricted	13,031	-	896,501	909,532
Spendable:				
Restricted	-	-	-	-
Assigned	-	3,172,134	1,407,571	4,579,705
Unassigned / Unrestricted	994,037	-	-	994,037
Total Fund Balance/ Net Position	1,007,068	3,172,134	2,304,072	6,483,274
Total Liabilities and Fund Balance / Net Position	\$ 1,021,338	\$ 3,172,346	\$ 2,304,072	\$ 6,497,756

The accompanying notes are an integral part of these financial statements

Government-
Wide Statement

Adjustments (Note 2 A.)	Statement of Net Assets
\$	-
	\$ 3,461,734
	21,935
	12,931
	3,001,156
1,719,445	1,719,445
1,337,668	1,337,668
\$ 3,057,113	\$ 9,554,869
\$	-
	\$ 14,482
1,000	1,000
17,269	17,269
18,269	32,751
3,057,113	3,057,113
(13,031)	896,501
	-
(4,579,705)	-
4,574,467	5,568,504
3,038,844	9,522,118
\$ 3,057,113	\$ 9,554,869

SARATOGA CEMETERY DISTRICT

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2013

	Fund Financial Statement			
	General Fund	Capital Projects / Land Acquisition Fund	Permanent / Endowment Fund	Total Governmental Funds
REVENUES				
Property taxes	\$ 684,068	\$ -	\$ -	\$ 684,068
Intergovernmental	4,332	-	-	4,332
Charges for services	159,086	395,643	-	554,729
Investment income	2,414	37,030	6,004	45,448
Endowment care	-	-	60,204	60,204
Other revenue	2,431	-	-	2,431
Total Revenues	852,331	432,673	66,208	1,351,212
EXPENDITURES / EXPENSES				
Salaries and benefits	233,599	-	-	233,599
Services and supplies	289,516	7,409	-	296,925
Capital Outlay	-	121,272	-	121,272
Depreciation	-	-	-	-
Total Expenditures / Expenses	523,115	128,681	-	651,796
Excess (Deficiency) of Revenues Over Expenditures	329,216	303,992	66,208	699,416
Other Financing Sources (Uses):				
Transfers in	221,605	-	-	221,605
Transfers out	-	(221,605)	-	(221,605)
Net Financing Sources (Uses)	221,605	(221,605)	-	-
NET CHANGE IN FUND BALANCE / NET POSITION				
Fund Balance / Net Position - Beginning	456,247	3,089,747	2,237,864	5,783,858
Fund Balance / Net Position - Ending	\$ 1,007,068	\$ 3,172,134	\$ 2,304,072	\$ 6,483,274

The accompanying notes are an integral part of these financial statements

Government-
Wide Statement

<u>Adjustments</u> <u>(Note 2 B.)</u>		<u>Statement of Net</u>	<u>Assets</u>
\$	-	\$	684,068
	-		4,332
	-		554,729
	-		45,448
	-		60,204
	-		2,431
	-		<u>1,351,212</u>
	5,525		239,124
	-		296,925
	(121,272)		-
	43,687		<u>43,687</u>
	(72,060)		<u>579,736</u>
	72,060		<u>771,476</u>
	-		221,605
	-		<u>(221,605)</u>
	-		<u>-</u>
	72,060		771,476
	2,966,784		<u>8,750,642</u>
\$	3,038,844	\$	<u>9,522,118</u>

SARATOGA CEMETERY DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2013

	<u>Pre-Need Fund</u>
ASSETS	
Cash and cash equivalents	\$ 169,296
Accounts receivable	2,240
Investments	342,606
Total Assets	\$ 514,142
NET POSITION	
Restricted, value of pre-need contracts	\$ 320,600
Unrestricted	193,542
Total Net Position	\$ 514,142

The accompanying notes are an integral part of these financial statements

SARATOGA CEMETERY DISTRICT

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Pre-Need Fund</u>
ADDITIONS	
Pre-need sales	\$ 41,822
Investment earnings and unrealized losses	(5,362)
Total Additions	36,460
DELETIONS	
Pre-need uses	20,485
NET CHANGE IN NET POSITION	15,975
Net Position - Beginning, restated	498,167
Net Position - Ending	\$ 514,142

The accompanying notes are an integral part of these financial statements

SARATOGA CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

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

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

B. Component Unit

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

C. Other Related Entities

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

D. Basis of Presentation

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

Fund Financial Statements. The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category – *governmental* and *fiduciary* – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

SARATOGA CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued JUNE 30, 2013

Governmental funds are used to account for activities that are governmental in nature. Governmental activities are typically tax-supported and include education of pupils, operation of food service and child development programs, construction and maintenance of school facilities, and repayment of long-term debt.

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

Major Governmental Funds

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

Capital Projects/Land Acquisition Fund. This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

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

Fiduciary Funds

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

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

E. Basis of Accounting - Measurement Focus

Government-Wide and Fiduciary Financial Statements

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

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

SARATOGA CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued JUNE 30, 2013

Governmental Funds

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within one year after year-end. All other revenue items are considered to be measurable and available only when the District receives cash. Revenue limits, property taxes, and grant awards are recorded the same as what is described for Government-Wide Statements. Expenditures generally are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, early retirement and postemployment healthcare benefits and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Revenues – Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on 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 that 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 expected to be received within 90 days of fiscal year-end.

Property taxes are government mandated non-exchange transactions and are recognized when all eligibility requirements have been met. Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Santa Clara bills and collects the taxes on behalf of the District. The District recognizes property tax revenues actually received as reported by the Santa Clara County Auditor Controller. The District makes no accrual for property taxes receivable as of June 30.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

SARATOGA CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2013

F. Assets, Liabilities, and Net Position

Deposits and Investments

A substantial amount of the cash balances are pooled and invested by the county treasurer for the purpose of increasing earnings through investment activities. The pool's investments are reported at fair value at June 30, 2013, based on market process. The individual funds' portions of the pool's fair value are presented as "Cash in County." Earnings on the pooled funds are apportioned and paid or credited to the funds quarterly based on the average daily balance of each participating fund. The District considers these balances to be cash on hand and demand deposits. In addition, because the Cash in County is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty, equity in the pool is also deemed to be a cash equivalent.

Inventory

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Capital Assets

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

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

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. The non-current portion of the liability is not reported.

Accrued Liabilities and Long-Term Obligations

All accrued liabilities are reported in the government-wide financial statements.

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

Fund Balance

SARATOGA CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued JUNE 30, 2013

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

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

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

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

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

Net Position

Net Position represents the difference between assets and liabilities. Net Position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The District has related debt outstanding as of June 30, 2013. Net Position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. The district-wide financial statements report \$896,501 of restricted net position.

SARATOGA CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued JUNE 30, 2013

Interfund Activity

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

Estimates

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

Budgetary Data

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

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

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

G. New Accounting Pronouncements

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged.

In March 2012, the GASB issued Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged.

SARATOGA CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued JUNE 30, 2013

In June 2012, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions.

The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. Earlier application is encouraged.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement is effective for fiscal years beginning after June 15, 2014. Earlier application is encouraged.

SARATOGA CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
 JUNE 30, 2013

NOTE 2 - RECONCILIATION BETWEEN THE FUND FINANCIAL STATEMENTS AND DISTRICT-WIDE STATEMENTS

A. Governmental Funds Balance Sheet and Statement of Net Position

Total Fund Balance - Governmental Funds \$ 6,483,274

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

Capital assets:

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

	Capital assets	\$ 4,404,616	
	Accumulated depreciation	(1,347,503)	3,057,113

Long-term liabilities:

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

	Deposits held for others	(1,000)	
	Compensated absences	(17,269)	(18,269)
Total Net Position - Governmental Activities			\$ 9,522,118

SARATOGA CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2013

B. Governmental Funds Operating Statements and the Statement of Activities

Net Change in Fund Balances - Governmental Funds \$ 699,416

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

Capital outlay:

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

Expenditures for capital outlay: \$	121,272	
Depreciation expense:	(43,687)	77,585

Compensated absences:

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

	(5,525)	
Change in net position of Governmental Activities	\$	771,476

SARATOGA CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
 JUNE 30, 2013

NOTE 3 - DEPOSITS AND INVESTMENTS

A. Summary of Deposits and Investments

	Governmental		Total
	Activities	Fiduciary Funds	
Cash on hand	\$ 100	\$ -	\$ 100
Deposits in financial institutions	563,127	8,333	571,460
Cash in county, LAIF, and mutual funds	2,898,507	160,963	3,059,470
Total cash and cash equivalents	3,461,734	169,296	3,631,030
Investments	3,001,156	342,606	3,343,762
Total	\$ 6,462,890	\$ 511,902	\$ 6,974,792

B. Policies and Practices

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

C. General Authorizations

Except for investments by trustees of debt proceeds, the authority to invest District funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website.

External Investment Pools - The District is a participant in two external investment pools; there is cash in the Santa Clara County treasury pool and the other is the Local Agency Investment Fund (LAIF). The cash in county pool is overseen by the Santa Clara County Controller-Treasurer Division. The LAIF is overseen by the Local Investment Advisory Board (LIAB); which consists of five members as designated by statute. The State Treasurer, as Chairman, or his designated representative appoints two members qualified by training and experience in the field of investment or finance, and two members who are treasurers, finance or fiscal officers or business managers employed by any county, city or local district or municipal corporation of this state.

SARATOGA CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
 JUNE 30, 2013

The table below identifies examples of the investment types permitted in the investment policy:

Investment Type	Maximum Maturity *	Maximum Specified % of Portfolio	Minimum Quality Requirements
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
Bankers’ Acceptances	180 days	40%	None
Commercial Paper – Select Agencies	270 days	25%	“A-1” if the issuer has issued long- term debt it must be rated “A” without regard to modifiers
Commercial Paper – Other Agencies	270 days	25%	“A-1” if the issuer has issued long- term debt it must be rated “A” without regard to modifiers
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 of the portfolio	None
Medium-Term Notes	5 years	30%	“A” Rating
Mutual Funds and Money Market Mutual Funds	N/A	20%	Multiple
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass-Through Securities	5 years	20%	“AA” Rating
Bank/Time Deposits	5 years	None	None
County Pooled Investment Funds	N/A	None	None
Joint Powers Authority Pools	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Voluntary Investment Program Fund	N/A	None	None

* Under Section 53600 of the Government Code, The Board of Trustees authorizes investment in allowable instruments with maturity dates longer than five years to achieve the best return with investments laddered over a longer period of time.

SARATOGA CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2013

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the county pool. See “Specific Identification” for various maturities of the District’s investments.

E. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The underlying investments owned by the district are listed in “Specific Identification.”

SARATOGA CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
 JUNE 30, 2013

F. Specific Identification

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

Investment Type:	S & P Rating	Reported Amount	Stated Maturities			
			12 months or less	13 to 24 months	25 to 60 months	60 to 336 months
External Investment Pool, cash in county	N/A	\$ 1,218,179	\$ 1,218,179	\$ -	\$ -	\$ -
Local Agency Investment Fund (LAIF)	N/A	918,941	918,941	-	-	-
Mutual funds						
Bond Fund of America	Avg. AA	508,377	508,377	-	-	-
Wells Fargo Fds TR Short Duration	Avg. BBB	320,991	320,991	-	-	-
PIMCO Total Return	NA	45,993	45,993	-	-	-
Columbia US Govt. Mortgage	Avg. BBB	46,991	46,991	-	-	-
Bank GTD, Lloyds TSB Bank	A	26,960	-	-	26,960	-
Bonds, Federal Home Loan Bank	AA+	83,295	-	-	-	83,295
Bonds, Callable						
Bell South	A-	78,837	-	78,837	-	-
Federal Home Loan Bank	AA+	66,497	-	-	-	66,497
Federal National Mortgage Association (FNMA, "Fannie Mae")	AA+	48,088	-	-	-	48,088
Certificates of deposit	FDIC Insured	1,302,825	-	605,739	697,086	-
Commercial Paper, General Electric	AA+	53,293	-	-	53,293	-
Government Backed, CMO Assets						
Federal Home Loan Mortgage Corporation (FHLMC, "Freddie Mac")		157,908	-	-	-	157,908
FNMA		36,535	-	-	-	36,535
Government National Mortgage Association (GNMA, "Ginnie Mae")		213,061	-	-	12,557	200,504
Internotes, General Electric	AA+	50,997	50,997	-	-	-
Notes						
General Electric	AA+	49,824	-	-	49,824	-
Goldman Sachs Group	A-	115,822	-	48,583	67,239	-
Wal-Mart Stores	AA	44,826	-	-	44,826	-
Wells Fargo Company	A+	79,892	-	-	79,892	-
Notes, Callable, FNMA	AA+	387,014	-	-	-	387,014
Notes, Foreign Medium Term						
Barclays Bank	A+	115,175	-	-	63,413	51,762
Rabobank Nederland	AA	101,921	-	-	101,921	-
Notes, Senior						
FNMA	AA+	133,367	-	-	-	133,367
Goldman Sachs, Senior Notes	A-	104,156	-	-	104,156	-
US Bancorp, Senior Notes	A	93,467	-	93,467	-	-
Total		\$ 6,403,232	\$ 3,110,469	\$ 826,626	\$ 1,301,167	\$ 1,164,970

SARATOGA CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
 JUNE 30, 2013

G. Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2013, the District's bank balance of \$1,580,113 was insured, but \$321,326 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Balance July 01, 2012	Additions	Deductions	Balance June 30, 2013
Capital assets not being depreciated				
Land	\$ 1,690,158	\$ -	\$ -	\$ 1,690,158
Construction in progress	867,530	104,105	942,348	29,287
Total Capital Assets not Being Depreciated	2,557,688	104,105	942,348	1,719,445
Capital assets being depreciated				
Land improvements	630,619	959,515	-	1,590,134
Buildings & improvements	961,148	-	-	961,148
Furniture & equipment	133,889	-	-	133,889
Total Capital Assets Being Depreciated	1,725,656	959,515	-	2,685,171
Less Accumulated Depreciation				
Land improvements	427,710	37,186	-	464,896
Buildings & improvements	743,719	5,900	-	749,619
Furniture & equipment	132,387	601	-	132,988
Total Accumulated Depreciation	1,303,816	43,687	-	1,347,503
Capital Assets, net	\$ 2,979,528	\$ 1,019,933	\$ 942,348	\$ 3,057,113

SARATOGA CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
 JUNE 30, 2013

NOTE 5 - INTERFUND TRANSACTIONS

The District transferred from the Capital Projects Fund to the General Fund for purchase of capital improvements in the amount of \$221,605.

NOTE 6 - ACCRUED LIABILITIES

Accrued liabilities at June 30, 2013, consisted of the following:

	General Fund	Capital Projects / Land Acquisition Fund	Total Governmental Funds
Utilities	\$ 8,226	\$ 212	\$ 8,438
Other liabilities	6,044	-	6,044
Total	\$ 14,270	\$ 212	\$ 14,482

NOTE 7 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Capital Projects / Land Acquisition Fund	Permanent / Endowment Fund	Total Governmental Funds
Non-spendable				
Revolving cash	\$ 100	\$ -	\$ -	\$ 100
Inventory	12,931	-	-	12,931
Restricted for endowment	-	-	896,501	896,501
Total non-spendable	13,031	-	896,501	909,532
Spendable				
Assigned				
Land purchase	-	3,171,134	-	3,171,134
Deposits for others	-	1,000	-	1,000
Accumulated corpus earnings	-	-	1,407,571	1,407,571
Total assigned	-	3,172,134	1,407,571	4,579,705
Unassigned	994,037	-	-	994,037
Total	\$ 1,007,068	\$ 3,172,134	\$ 2,304,072	\$ 6,483,274

SARATOGA CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2013

NOTE 8 - EMPLOYEE RETIREMENT SYSTEMS

The District has established a 401(a) retirement plan. The District contributes 10% of employees' salaries on a quarterly basis. The total amount contributed by the district as of June 30, 2013 was \$16,072.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

In the opinion of management , there is no litigation pending expected to have a material adverse effect on the overall financial position of the District at June 30, 2013.

NOTE 10 - PARTICIPATION IN JOINT POWERS AUTHORITIES

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. Audited financial statements are available from the entity.

During the year ended June 30, 2013, the District made payments of approximately \$13,782 to SDRMA for its coverage.

SARATOGA CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2013

NOTE 11 - PRIOR PERIOD RESTATEMENTS

The prior period adjustments of net position in the Pre-Need Fund consisted of the accrual of “historical value of pre-need contracts. In the prior year “historical value of pre-need contracts” was classified as a liability. However, upon reexamination of the treatment, it has been determined a better accounting treatment of the value would be to refer to that amount as a restricted portion of net position. The reason for this is to better identify the activity during the year. Therefore, the net result is an increase of the beginning net position in the amount of \$278,451.

REQUIRED SUPPLEMENTARY INFORMATION

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SARATOGA CEMETERY DISTRICT

GENERAL FUND - BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts (GAAP Basis)</u>		<u>Actual (GAAP Basis)</u>	<u>Variances - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		<u>Final to Actual</u>
REVENUES				
Property taxes	\$ -	\$ -	\$ 684,068	\$ 684,068
Intergovernmental	-	-	4,332	4,332
Charges for services	-	-	159,086	159,086
Investment income	-	-	2,414	2,414
Other revenue	-	-	2,431	2,431
Total Revenues	-	-	852,331	852,331
EXPENDITURES				
Salaries and benefits	235,065	235,065	233,599	1,466
Services and supplies	310,819	310,819	289,516	21,303
Total Expenditures	545,884	545,884	523,115	22,769
Excess (Deficiency) of Revenues				
Over Expenditures	(545,884)	(545,884)	329,216	875,100
Other Financing Sources (Uses):				
Transfers in	-	-	221,605	221,605
NET CHANGE				
IN FUND BALANCE	(545,884)	(545,884)	550,821	1,096,705
Fund Balance - Beginning	456,247	456,247	456,247	
Fund Balance - Ending	\$ (89,637)	\$ (89,637)	\$ 1,007,068	\$ 1,096,705

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