

**SARATOGA CEMETERY DISTRICT**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT  
JUNE 30, 2015**

\* \* \*



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# Saratoga Cemetery District

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Saratoga Cemetery District  
Saratoga, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Saratoga Cemetery District (the "District"), as of and for the year ended June 30, 2015, 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, 2015, and the respective



changes in 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 on page 25 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 September 1, 2015 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 UP

September 1, 2015  
San Jose, California

## **BASIC FINANCIAL STATEMENTS**

# Saratoga Cemetery District

## Statement of Net Position

June 30, 2015

|   | <u>Governmental<br/>Activities</u> |
|---|------------------------------------|
| <b>ASSETS</b>                           |                                    |
| Current assets:                         |                                    |
| Cash and cash equivalents               | \$ 4,273,749                       |
| Interest receivable                     | 19,129                             |
| Inventory                               | 16,031                             |
| Total current assets                    | <u>4,308,909</u>                   |
| Noncurrent assets:                      |                                    |
| Investments                             | 4,134,538                          |
| Capital assets, net of depreciation     | 3,060,114                          |
| Total noncurrent assets                 | <u>7,194,652</u>                   |
| Total Assets                            | <u><u>\$ 11,503,561</u></u>        |
| <b>LIABILITIES</b>                      |                                    |
| Current liabilities:                    |                                    |
| Accounts payable                        | \$ 20,388                          |
| Noncurrent liabilities:                 |                                    |
| Compensated absences                    | 3,619                              |
| Total Liabilities                       | <u><u>\$ 24,007</u></u>            |
| <b>NET POSITION</b>                     |                                    |
| Net investment in capital assets        | \$ 3,060,114                       |
| Restricted for permanent endowment fund | 2,538,302                          |
| Unrestricted                            | 5,881,138                          |
| Total Net Position                      | <u><u>\$ 11,479,554</u></u>        |

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, 2015

|  | Expenses          | Program<br>Revenues | Net (Expense)<br>Revenue and<br>Changes in<br>Net Position |
|--|-------------------|---------------------|--|
| Governmental activities:                 |                   |                     |  |
| Interment services                       | \$ 544,616        | \$ 643,838          | \$ 99,222  |
| Depreciation                             | 61,850            | -                   | (61,850)   |
| Total governmental activities            | <u>\$ 606,466</u> | <u>\$ 643,838</u>   | <u>37,372</u>  |
| General revenues:                        |                   |                     |  |
| Property taxes                           |                   |                     | 824,822  |
| Investment earnings                      |                   |                     | 87,321   |
| Endowment care                           |                   |                     | 71,865   |
| Other revenues                           |                   |                     | 16,731   |
| Total general revenues and special items |                   |                     | <u>1,000,739</u>   |
| Change in net position                   |                   |                     | 1,038,111  |
| Net position beginning                   |                   |                     | <u>10,441,443</u>  |
| Net position ending                      |                   |                     | <u>\$ 11,479,554</u>                                       |

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

**Saratoga Cemetery District**

Balance Sheet

Governmental Funds

June 30, 2015

|                                    | General<br>Fund   | Capital<br>Projects<br>Fund | Permanent<br>Endowment<br>Fund | Total<br>Governmental<br>Funds |
|------------------------------------|-------------------|-----------------------------|--------------------------------|--------------------------------|
| <b>ASSETS</b>                      |                   |                             |                                |                                |
| Cash and cash equivalents          | \$ 765,408        | \$ 3,457,859                | \$ 50,482                      | \$ 4,273,749                   |
| Investments                        | -                 | 1,655,965                   | 2,478,573                      | 4,134,538                      |
| Interest receivable                | 612               | 9,270                       | 9,247                          | 19,129                         |
| Inventory                          | 16,031            | -                           | -                              | 16,031                         |
| Total Assets                       | <u>\$ 782,051</u> | <u>\$ 5,123,094</u>         | <u>\$ 2,538,302</u>            | <u>\$ 8,443,447</u>            |
| <b>LIABILITIES</b>                 |                   |                             |                                |                                |
| Accounts payable                   | <u>\$ 20,388</u>  | <u>\$ -</u>                 | <u>\$ -</u>                    | <u>\$ 20,388</u>               |
| Total Liabilities                  | <u>20,388</u>     | <u>-</u>                    | <u>-</u>                       | <u>20,388</u>                  |
| <b>FUND BALANCE</b>                |                   |                             |                                |                                |
| Nonspendable                       | -                 | -                           | 896,501                        | 896,501                        |
| Restricted                         | -                 | -                           | 1,641,801                      | 1,641,801                      |
| Assigned for capital projects      | -                 | 5,123,094                   | -                              | 5,123,094                      |
| Unassigned                         | <u>761,663</u>    | <u>-</u>                    | <u>-</u>                       | <u>761,663</u>                 |
| Total Fund Balance                 | <u>761,663</u>    | <u>5,123,094</u>            | <u>2,538,302</u>               | <u>8,423,059</u>               |
| Total Liabilities and Fund Balance | <u>\$ 782,051</u> | <u>\$ 5,123,094</u>         | <u>\$ 2,538,302</u>            | <u>\$ 8,443,447</u>            |

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, 2015

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Total fund balance - governmental funds \$ 8,423,059

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   | \$ | 4,506,497          |           |
| Accumulated depreciation |    | <u>(1,446,383)</u> | 3,060,114 |

|   |  |  |                |
|---|--|--|----------------|
| Compensated absences are not due and payable in the current period<br>and therefore are not reported as liabilities in the funds. |  |  | <u>(3,619)</u> |
|---|--|--|----------------|

Total net position - governmental activities \$ 11,479,554

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, 2015

|  | General<br>Fund   | Capital<br>Projects<br>Fund | Permanent<br>Endowment<br>Fund | Total<br>Governmental<br>Funds |
|--|-------------------|-----------------------------|--------------------------------|--------------------------------|
| <b>Revenues:</b>   |                   |                             |                                |                                |
| Property taxes   | \$ 824,822        | \$ -                        | \$ -                           | \$ 824,822                     |
| Charges for services   | 156,088           | 487,750                     | -                              | 643,838                        |
| Investment earnings  | 2,542             | 36,721                      | 48,058                         | 87,321                         |
| Endowment care   | -                 | -                           | 71,865                         | 71,865                         |
| Other revenues   | 16,731            | -                           | -                              | 16,731                         |
| <b>Total revenues</b>  | <b>1,000,183</b>  | <b>524,471</b>              | <b>119,923</b>                 | <b>1,644,577</b>               |
| <b>Expenditures:</b>   |                   |                             |                                |                                |
| Salaries and employee benefits                               | 245,877           | -                           | -                              | 245,877                        |
| Services and supplies  | 294,206           | 11,477                      | -                              | 305,683                        |
| Capital outlay   | -                 | 106,600                     | -                              | 106,600                        |
| <b>Total expenditures</b>                                    | <b>540,083</b>    | <b>118,077</b>              | <b>-</b>                       | <b>658,160</b>                 |
| Excess (deficiency) of revenues<br>over (under) expenditures | 460,100           | 406,394                     | 119,923                        | 986,417                        |
| <b>Other financing sources (uses):</b>                       |                   |                             |                                |                                |
| Transfers in   | -                 | 710,495                     | -                              | 710,495                        |
| Transfers out  | (710,495)         | -                           | -                              | (710,495)                      |
| <b>Total other financing sources (uses)</b>                  | <b>(710,495)</b>  | <b>710,495</b>              | <b>-</b>                       | <b>-</b>                       |
| <b>Net changes in fund balance</b>                           | <b>(250,395)</b>  | <b>1,116,889</b>            | <b>119,923</b>                 | <b>986,417</b>                 |
| Fund balance beginning                                       | 1,012,058         | 4,006,205                   | 2,418,379                      | 7,436,642                      |
| Fund balance ending  | <u>\$ 761,663</u> | <u>\$ 5,123,094</u>         | <u>\$ 2,538,302</u>            | <u>\$ 8,423,059</u>            |

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, 2015

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|   |    |         |
|---|----|---------|
| Total net change in fund balance - governmental funds | \$ | 986,417 |
|---|----|---------|

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.

|  |    |                        |
|--|----|------------------------|
| Expenditures capitalized as capital assets | \$ | 98,879                 |
| Depreciation expense                       |    | <u>(61,850)</u> 37,029 |

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.

14,665

|   |    |                         |
|---|----|-------------------------|
| Change in net position of governmental activities | \$ | <u><u>1,038,111</u></u> |
|---|----|-------------------------|

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, 2015

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|                           | <u>Total<br/>Pre-Need Fund</u> |
|---------------------------|--------------------------------|
| <b>ASSETS</b>             |                                |
| Cash and cash equivalents | \$ 24,968                      |
| Interest receivable       | 2,190                          |
| Investments               | <u>542,334</u>                 |
| <b>Total Assets</b>       | <u><u>\$ 569,492</u></u>       |
| <b>NET POSITION</b>       |                                |
| Held in trust             | <u>\$ 569,492</u>              |
| <b>Total Net Position</b> | <u><u>\$ 569,492</u></u>       |

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, 2015

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|   | Total<br>Pre-Need Fund |
|---|------------------------|
| Additions:  |                        |
| Pre-need sales  | \$ 23,104              |
| Investment earnings, net of unrealized gains (losses) | 11,332                 |
| Total Additions                                       | 34,436                 |
| Deletions:  |                        |
| Pre-need uses   | 20,528                 |
| Change in net position                                | 13,908                 |
| Net position - beginning                              | 555,584                |
| Net position - ending                                 | \$ 569,492             |

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

**Saratoga Cemetery District**  
Notes to Financial Statements  
June 30, 2015

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**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, 2015, 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.

**Saratoga Cemetery District**  
Notes to Financial Statements  
June 30, 2015

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**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 for these funds present 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.

**Saratoga Cemetery District**  
Notes to Financial Statements  
June 30, 2015

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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



**Saratoga Cemetery District**  
Notes to Financial Statements  
June 30, 2015

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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.

**Saratoga Cemetery District**  
Notes to Financial Statements  
June 30, 2015

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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

a. 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.

b. Investments

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.

Investments are reported in the statement of net position at fair value. Changes in fair market value that occur during the fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

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.

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.

**Saratoga Cemetery District**  
Notes to Financial Statements  
June 30, 2015

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c. 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:

| <u>Assets</u>     | <u>Years</u> |
|-------------------|--------------|
| Buildings         | 10 - 20      |
| Site Improvements | 5 - 15       |
| Equipment         | 5 - 20       |

d. 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.

e. 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.

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- *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.

f. 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.

g. 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

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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.

h. 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. Subsequent Events

Management has reviewed subsequent events and transactions that occurred after the date of the financial statements through the date the financial statements were issued. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management has determined that there are no non-recognized subsequent events that require additional disclosure.

I. New Accounting Pronouncements

**Summary of Statement No. 68 Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27 (Issued 06/12).** 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 replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. This Statement establishes a definition of a pension plan that reflects the primary activities associated with the pension arrangement-determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. This Statement is effective for fiscal years beginning after June 15, 2014. There was no impact to the District's financial

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statements from the issuance of this statement because the District does not have a significant pension plan that would be required to follow GASB 68. Move to New Accounting Pronouncements.

**Summary of Statement No. 71, Pension Transition for Contributions made Subsequent to the Measurement Date – and Amendment of GASB Statement No. 68.** The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. There was no impact to the District's financial statements from the issuance of this statement because the District does not have a significant pension plan that would be required to follow GASB 68. Move to New Accounting Pronouncements.

J. Upcoming Accounting and Reporting Changes

**GASB Statement No. 72 – In February, 2015, GASB issued Statement No 72, *Fair Value Measurement and Application*.** This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015 (fiscal year ending June 30, 2016). The District is in the process of determining the impact this statement will have on the financial statements, but does not anticipate a material impact on its financial statements.

**GASB Statement No. 73 – *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Effective date: the provisions in Statement 73 are effective for fiscal years beginning after June 15, 2015**—except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement also clarifies the application of certain provisions of Statements 67 and 68 with regard to the following issues:

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- Information that is required to be presented as notes to the 10-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported
- Accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities for defined benefit pensions
- Timing of employer recognition of revenue for the support of nonemployer contributing entities *not* in a special funding situation

The District is in the process of determining the impact this statement will have on the financial statements, but does not anticipate a material impact on its financial statements.

**GASB Statement No. 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Effective date: the provisions in Statement 74 are effective for fiscal years beginning after June 15, 2016.** The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*.

The scope of this Statement includes OPEB plans—defined benefit and defined contribution—administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

Management anticipates that this statement will not have a direct impact on the District's financial statements.

**GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Effective date: the provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017.** The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement replaces the

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requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and the plan members.

The District is in the process of determining the impact this statement will have on the financial statements.

**GASB Statement No. 76 – *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. Effective date: the provisions in Statement 76 are effective for reporting periods beginning after June 15, 2015.** The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative



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literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Management anticipates that this statement will not have a material impact on the District's financial statements.

**GASB Statement No. 77 – Tax Abatement Disclosures. Effective date: the requirements of this Statement are effective for reporting periods beginning after December 15, 2015.** This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients
- The gross dollar amount of taxes abated during the period
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

Management anticipates that this statement will not have a material 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, 2015:

| Cash, Cash Equivalents and Investments       | Available<br>for Operations | Restricted   | Fair Value<br>June 30, 2015 |
|--|-----------------------------|--------------|-----------------------------|
| <b>Cash and Cash Equivalents:</b>            |                             |              |                             |
| Cash on hand and in banks                    | \$ 528,827                  | \$ 50,345    | \$ 579,172                  |
| Cash in the Santa Clara County Treasury      | 2,772,703                   | 23,379       | 2,796,082                   |
| California Local Agency Investment Fund      | 923,463                     | -            | 923,463                     |
| Total Cash and Cash Equivalents              | 4,224,993                   | 73,724       | 4,298,717                   |
| <b>Investments:</b>                          |                             |              |                             |
| Wells Fargo Investment Trust                 | 1,131,111                   | 2,181,371    | 3,312,482                   |
| Wells Fargo Time Deposits                    | 524,854                     | 839,536      | 1,364,390                   |
| Total Investments                            | 1,655,965                   | 3,020,907    | 4,676,872                   |
| Total Cash, Cash Equivalents and Investments | \$ 5,880,958                | \$ 3,094,631 | \$ 8,975,589                |

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

|   | Governmental<br>Funds | Fiduciary<br>Funds | Totals       |
|---|-----------------------|--------------------|--------------|
| Cash and investments available for operations | \$ 5,879,232          | \$ -               | \$ 5,879,232 |
| Restricted cash and investments               | 2,529,055             | 567,302            | 3,096,357    |
| Total cash and investments                    | \$ 8,408,287          | \$ 567,302         | \$ 8,975,589 |

**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, 2015, the District's bank balances exceeded FDIC coverage by \$341,256.

**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 less than one year.

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, 2015, these investments had an average maturity date of less than one year.

**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.

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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 \$5.7 billion and \$69.7 billion, respectively as of June 30, 2015. The sensitivity of the District's investments to interest rate risk is displayed in the summary schedule of cash, cash equivalents and investments on page 20.

**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 on page 22 shows the minimum rating under the actual rating of the District's investments at year end.

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The investment with the County's investment pool is governed by the County's general investment policy. The County's investments in 2014-15 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.

**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**

See the chart on page 21 for the District's limitations on the amount that can be invested in any one issuer.

The following schedule summarizes the District's investment maturities and concentrations as of June 30, 2015:

| Investment Type                   | Rating  | Fair Value          | Maturities           |                   |                     |                        | Concentrations |
|-----------------------------------|---------|---------------------|----------------------|-------------------|---------------------|------------------------|----------------|
|                                   |         |                     | 12 Months<br>or Less | 13 - 24<br>Months | 25 - 60<br>Months   | More Than<br>60 Months |                |
| Certificates of Deposits          | N/A     | \$ 1,364,390        | \$ 388,190           | \$ 357,778        | \$ 583,146          | \$ 35,276              | 29.17%         |
| Cash Sweep Accounts               | N/A     | 43,692              | 43,692               | -                 | -                   | -                      | 0.93%          |
| Corporate Bonds                   | BAA1/A- | 914,718             | 95,131               | 77,140            | 742,447             | -                      | 19.56%         |
| Foreign Bonds                     | A2/A    | 138,976             | 86,944               | -                 | 52,032              | -                      | 2.97%          |
| Gov't Asset Backed CMO Securities | N/A     | 91,440              | -                    | -                 | 7,829               | 83,611                 | 1.96%          |
| Government Bonds                  | AAA/AA+ | 1,029,510           | -                    | -                 | 136,040             | 893,470                | 22.01%         |
| Mutual Funds                      | BBB     | 1,094,145           | 1,094,145            | -                 | -                   | -                      | 23.39%         |
| <b>Total Investments</b>          |         | <b>\$ 4,676,871</b> | <b>\$ 1,708,102</b>  | <b>\$ 434,918</b> | <b>\$ 1,521,494</b> | <b>\$ 1,012,357</b>    | <b>100.00%</b> |

**Saratoga Cemetery District**  
Notes to Financial Statements  
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**NOTE 4 - CAPITAL ASSETS**

The District's capital assets consisted of the following as of June 30, 2015:

| Description                               | Balance<br>June 30, 2014 | Additions  | Deletions   | Transfers/<br>Adjustments | Balance<br>June 30, 2015 |
|---|--------------------------|------------|-------------|---------------------------|--------------------------|
| <b>Non-depreciable capital assets:</b>    |                          |            |             |                           |                          |
| Land and land improvements                | \$ 1,690,158             | \$ -       | \$ -        | \$ -                      | \$ 1,690,158             |
| Construction in progress                  | -                        | 98,879     | (98,879)    | -                         | -                        |
| Total non-depreciable capital assets      | 1,690,158                | 98,879     | (98,879)    | -                         | 1,690,158                |
| <b>Depreciable capital assets:</b>        |                          |            |             |                           |                          |
| Land Improvements                         | 1,622,423                | 41,803     | -           | -                         | 1,664,226                |
| Buildings & Improvements                  | 961,148                  | 57,076     | -           | -                         | 1,018,224                |
| Furniture & Equipment                     | 133,889                  | -          | -           | -                         | 133,889                  |
| Total depreciable capital assets          | 2,717,460                | 98,879     | -           | -                         | 2,816,339                |
| <b>Less accumulated depreciation for:</b> |                          |            |             |                           |                          |
| Land Improvements                         | 483,634                  | 41,452     | -           | -                         | 525,086                  |
| Buildings & Improvements                  | 767,310                  | 20,098     | -           | -                         | 787,408                  |
| Furniture & Equipment                     | 133,589                  | 300        | -           | -                         | 133,889                  |
| Total accumulated depreciation            | 1,384,533                | 61,850     | -           | -                         | 1,446,383                |
| Total depreciable capital assets - net    | 1,332,927                | 37,029     | -           | -                         | 1,369,956                |
| Total capital assets - net                | \$ 3,023,085             | \$ 135,908 | \$ (98,879) | \$ -                      | \$ 3,060,114             |

Depreciation expense for the year ended June 30, 2015, net of adjustments was \$61,850.

**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.

The District transferred \$710,495 from the General Fund to the Capital Projects Fund for the purpose of funding capital improvements.

**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.

**Saratoga Cemetery District**  
Notes to Financial Statements  
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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:

| <i>Risk Management JPA's</i> | SDRMA<br>June 30, 2014 |
|------------------------------|------------------------|
| Total Assets                 | \$ 103,447,984         |
| Total Liabilities            | 50,078,187             |
| Total Equity                 | 53,369,797             |
| Total Revenues               | 52,110,542             |
| Total Expenditures           | 54,386,242             |

During the year ended June 30, 2015, the District made payments of approximately \$13,192 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, 2015.

**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, 2015

|  | <u>Budgeted Amounts</u> |                   | Actual<br>(GAAP Basis) | Variance with<br>Final Budget<br>Positive -<br>(Negative) |
|--|-------------------------|-------------------|------------------------|---|
|  | <u>Original</u>         | <u>Final</u>      |                        |   |
| Revenues:  |                         |                   |                        |   |
| Property taxes   | \$ -                    | \$ -              | \$ 824,822             | \$ 824,822  |
| Charges for services   | -                       | -                 | 156,088                | 156,088   |
| Investment earnings  | -                       | -                 | 2,542                  | 2,542   |
| Other revenues   | -                       | -                 | 16,731                 | 16,731  |
|  | <u>-</u>                | <u>-</u>          | <u>1,000,183</u>       | <u>1,000,183</u>  |
| Total revenues   |                         |                   |                        |   |
| Expenditures:  |                         |                   |                        |   |
| Salaries and employee benefits                               | 242,524                 | 242,524           | 245,877                | (3,353)   |
| Services and supplies  | 304,746                 | 304,746           | 294,206                | 10,540  |
|  | <u>547,270</u>          | <u>547,270</u>    | <u>540,083</u>         | <u>7,187</u>  |
| Total expenditures   |                         |                   |                        |   |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>(547,270)</u>        | <u>(547,270)</u>  | <u>460,100</u>         | <u>1,007,370</u>  |
| Other financing sources (uses):                              |                         |                   |                        |   |
| Transfers in   | -                       | -                 | -                      | -   |
| Transfers out  | -                       | -                 | (710,495)              | (710,495)   |
|  | <u>-</u>                | <u>-</u>          | <u>(710,495)</u>       | <u>(710,495)</u>  |
| Total other financing sources (uses)                         |                         |                   |                        |   |
| Net change in fund balance                                   | <u>(547,270)</u>        | <u>(547,270)</u>  | <u>(250,395)</u>       | <u>296,875</u>  |
| Fund balance beginning                                       | <u>1,012,058</u>        | <u>1,012,058</u>  | <u>1,012,058</u>       | <u>-</u>  |
| Fund balance ending  | <u>\$ 464,788</u>       | <u>\$ 464,788</u> | <u>\$ 761,663</u>      | <u>\$ 296,875</u>   |



**OTHER INDEPENDENT AUDITOR'S REPORTS**



**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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 1, 2015.

**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 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

September 1, 2015  
San Jose, California