

SANGER/DEL REY CEMETERY DISTRICT
REPORT ON AUDIT OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 2
Management's Discussion and Analysis	3 - 6
Government-wide Financial Statements	
Statement of Net Position	7
Statement of Activities	8
Fund Financial Statements	
Balance Sheet – Governmental Funds	9
Reconciliation of Balance Sheet of Governmental Funds to Net Position of Governmental Activities	10
Statement of Revenue, Expenditures and Changes in Fund Balance – Governmental Funds	11
Reconciliation of Statement of Revenue, Expenditures and Changes in Fund Balance of Governmental Funds to Change in Net Position of Governmental Activities	12
Notes to General Purpose Financial Statements	13 - 19
Supplementary Information	
Statement of Revenue, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	20
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	21 - 22

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INDEPENDENT AUDITOR'S REPORT

August 19, 2014

Board of Trustees
Sanger/Del Rey Cemetery District
Sanger, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of Sanger/Del Rey Cemetery District, State of California, as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable in financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, 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 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 of Sanger/Del Rey Cemetery District, State of California, as of June 30, 2014 and the respective changes in financial position and cash flows thereof 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 management's discussion and analysis on pages three through six and the statement of revenue, expenditures and changes in fund balance – budget and actual on page 20 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 them to be essential parts 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 19, 2014 on our consideration of Sanger/Del Rey Cemetery District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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.

*Sanborn and Sanborn
Accountancy Corporation*

CERTIFIED PUBLIC ACCOUNTANTS

**SANGER/DEL REY CEMETERY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

As management of Sanger/Del Rey Cemetery District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with information that is included within the financial statements.

Financial Highlights

- Assets of the District exceeded its liabilities as of June 30, 2014 by \$2,938,772. Of this amount, unrestricted net position of \$593,389 may be used to meet the District's ongoing obligations to customers and creditors. As of June 30, 2013, assets exceeded liabilities by \$2,820,467 with unrestricted net position equaling \$585,666.
- Total net position increased by \$118,305 for the year ended June 30, 2014. For the year ended June 30, 2013, total net position increased by \$158,656.
- As of the close of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$1,913,458, an increase of \$86,851 in comparison with the prior year. Of this amount, \$581,583 is unassigned and available for spending, with none of it designated for specific future use by the Board of Trustees of the District. For the year ended June 30, 2013, the District's governmental funds had a combined ending fund balance of \$1,826,607, with \$574,910 being unassigned and available for spending. There was an increase of \$122,733 in the combined ending fund balance in the prior year.
- During the current year, the District's fixed assets increased by a net of \$4,529. The decrease was mostly attributable to purchases of fixed assets in the amount of \$52,417, less depreciation. Depreciation expense, the ratable amortization of the cost of fixed assets, amounted to \$47,889 for the current year. Prior year depreciation was \$46,545.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Sanger/Del Rey Cemetery District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets and liabilities, with the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving

rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expense are reported in this statement for some items that will only result in cash flow in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the District that are principally non business in nature (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include cemetery activities, primarily for the residents of the Sanger/Del Rey area of Fresno County. The District has no business-type activities.

The government-wide financial statements include only the District itself. The District has no component units.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and proprietary funds. The District has no proprietary funds and only two governmental funds, the General Fund and the Endowment Care Fund.

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain other supplementary information.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of June 30, 2014, the District's assets exceeded liabilities by \$2,938,772. A significant portion of the District's net position (35 percent) reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. Capital assets are used to provide services to customers and they are not available for future spending.

In addition, \$1,275,592 (43 percent) of the District's net position is restricted for specific uses and, generally, is not available for future spending.

The following represent summaries of the District's net position and changes in net position for the current and prior years:

Sanger/Del Rey Cemetery District's Net Position

	<u>Governmental Activities</u>	<u>Current Year Total</u>	<u>Prior Year Total</u>
Current assets	\$ 1,947,469	\$ 1,947,469	\$ 1,866,108
Other assets	<u>1,025,314</u>	<u>1,025,314</u>	<u>1,020,785</u>
Total assets	<u>2,972,783</u>	<u>2,972,783</u>	<u>2,886,893</u>
Current liabilities	34,011	34,011	39,500
Noncurrent liabilities	<u> </u>	<u> </u>	<u>26,926</u>
Total liabilities	<u>34,011</u>	<u>34,011</u>	<u>66,426</u>
Net position:			
Invested in capital assets, net of related debt	1,025,314	1,025,314	993,859
Restricted - nonspendable	1,275,592	1,275,592	1,211,592
Restricted - spendable	44,477	44,477	29,350
Unrestricted	<u>593,389</u>	<u>593,389</u>	<u>585,666</u>
Total net position	<u>\$ 2,938,772</u>	<u>\$ 2,938,772</u>	<u>\$ 2,820,467</u>

Sanger/Del Rey Cemetery District's Changes in Net Position

	<u>Governmental Activities</u>	<u>Current Year Total</u>	<u>Prior Year Total</u>
Program revenue			
Charges for services	\$ 539,300	\$ 539,300	\$ 554,969
Operating grants and contributions	<u>321</u>	<u>321</u>	<u>1,708</u>
Total program revenue	<u>539,621</u>	<u>539,621</u>	<u>556,677</u>
Expense			
Cemetery activities	<u>797,436</u>	<u>797,436</u>	<u>780,779</u>
Total expense	<u>797,436</u>	<u>797,436</u>	<u>780,779</u>
Increase/(decrease) in net position before general revenue	(257,815)	(257,815)	(224,102)
General revenue	<u>376,120</u>	<u>376,120</u>	<u>382,758</u>
Increase in net position	118,305	118,305	158,656
Net position, beginning of year	<u>2,820,467</u>	<u>2,820,467</u>	<u>2,661,811</u>
Net position, end of year	<u>\$ 2,938,772</u>	<u>\$ 2,938,772</u>	<u>\$ 2,820,467</u>

Governmental activities. Governmental activities increased the District's net position by \$118,305, accounting for 100 percent of the total growth in net position.

Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

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

As of June 30, 2014, the District's governmental funds reported combined ending fund balances of \$1,913,458, an increase of \$86,851 in comparison to the prior year. Of the combined ending fund balance, \$581,583 is unassigned and is available for spending at the District's discretion.

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets for its governmental activities as of June 30, 2014 amounted to \$1,025,314 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements and equipment.

Additional information on the District's capital assets can be found in note three.

Debt administration. The District had no long-term debt,

Economic Factors and Next Year's Budgets and Rates

The general fund budget for the year ending June 30, 2015 projects neither a surplus nor a deficit. Compared to the current year, revenue is anticipated to decrease by \$203 while expenditures are expected to increase by \$7,209. Capital outlay is expected to decrease by \$11,094 and debt service is expected to decrease by \$27,700 compared to 2013/2014.

Current rates charged for services are expected to remain the same for 2014/2015.

Requests for Information

This financial report is designed to provide a general overview of Sanger/Del Rey Cemetery District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the District Manager, Sanger/Del Rey Cemetery District, 568 South Rainbow Avenue, Sanger, California 93657.

SANGER/DEL REY CEMETERY DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014

Assets	
Current assets	
Cash and cash equivalents	\$ 1,933,983
Interest receivable	1,134
Taxes receivable	546
Prepaid expense	<u>11,806</u>
Total current assets	<u>1,947,469</u>
Other assets	
Capital assets (net of allowance for depreciation)	<u>1,025,314</u>
Total other assets	<u>1,025,314</u>
Total assets	<u>2,972,783</u>
Liabilities	
Current liabilities	
Accounts payable and accrued expense	20,541
Compensated absences payable	<u>13,470</u>
Total liabilities	<u>34,011</u>
Net Position	
Invested in capital assets, net of related debt	1,025,314
Restricted - nonspendable	1,275,592
Restricted - spendable	44,477
Unrestricted	<u>593,389</u>
Total net position	<u>\$ 2,938,772</u>

See accompanying notes to financial statements.

SANGER/DEL REY CEMETERY DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Expense</u>	<u>Program Revenue</u>		<u>Net Revenue/ (Expense)</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental operations				
Cemetery activities	<u>\$ 797,436</u>	<u>\$ 539,300</u>	<u>\$ 321</u>	<u>\$ (257,815)</u>
General revenue				
Property taxes				269,078
Endowment contributions				64,000
Interest and use of property				30,704
Intergovernmental				<u>12,338</u>
Total general revenue				<u>376,120</u>
Change in net position				118,305
Net position, beginning of year				<u>2,820,467</u>
Net position, end of year				<u>\$ 2,938,772</u>

See accompanying notes to financial statements.

SANGER/DEL REY CEMETERY DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2014

	<u>General Fund</u>	<u>Infrastructure Fund</u>	<u>Endowment Care Fund</u>	<u>Total Governmental Funds</u>
Assets				
Cash on hand	\$ 100	\$	\$	\$ 100
Cash in bank	100,117	25,656		125,773
Cash in county treasury	488,829		1,319,281	1,808,110
Interest receivable	330	16	788	1,134
Taxes receivable	546			546
Prepaid insurance	<u>11,806</u>			<u>11,806</u>
	<u>\$ 601,728</u>	<u>\$ 25,672</u>	<u>1,320,069</u>	<u>\$ 1,947,469</u>
 Liabilities and Fund Balance				
Current liabilities				
Accounts payable and accrued expense	\$ 20,541	\$	\$	\$ 20,541
Compensated absences payable	<u>13,470</u>			<u>13,470</u>
Total liabilities	<u>34,011</u>			<u>34,011</u>
 Fund balance				
Nonspendable	11,806		1,275,592	1,287,398
Restricted			44,477	44,477
Unassigned	<u>555,911</u>	<u>25,672</u>		<u>581,583</u>
Total fund balance	<u>567,717</u>	<u>25,672</u>	<u>1,320,069</u>	<u>1,913,458</u>
	<u>\$ 601,728</u>	<u>\$ 25,672</u>	<u>\$ 1,320,069</u>	<u>\$ 1,947,469</u>

See accompanying notes to financial statements.

SANGER/DEL REY CEMETERY DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE
SHEET TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2014

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances – total governmental funds	\$ 1,913,458
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds	<u>1,025,314</u>
Net position of governmental activities	<u>\$ 2,938,772</u>

See accompanying notes to financial statements.

SANGER/DEL REY CEMETERY DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2014

	General Fund	Infrastructure Fund	Endowment Care Fund	Total Governmental Funds
Revenue				
Sales and services	\$ 539,300	\$	\$ 64,000	\$ 603,300
Property taxes	269,078			269,078
Interest	6,197	312	15,127	21,636
Intergovernmental	12,338			12,338
Real estate rent	9,068			9,068
Other	321			321
Total revenue	836,302	312	79,127	915,741
Expenditures				
Current				
Salaries and wages	342,703			342,703
Employee benefits	191,495			191,495
Vaults and other costs of sales	55,537			55,537
Repairs and maintenance - grounds	43,138			43,138
Fuel and oil	15,336			15,336
Repairs and maintenance - equipment	15,269			15,269
Insurance	14,070			14,070
Workmen's compensation insurance	12,401			12,401
Utilities	11,640			11,640
Automobile allowance	5,252			5,252
Office supplies and postage	5,247			5,247
Telephone	5,173			5,173
Legal and professional	5,040			5,040
Security/gate closure	4,800			4,800
Garbage removal	4,203			4,203
Auditing	4,000			4,000
Laundry and cleaning	3,593			3,593
Dues and subscriptions	2,908			2,908
Sand, cement and gravel	2,628			2,628
Miscellaneous	1,877			1,877
Tree trimming	1,300			1,300
Meals and entertainment	868			868
Travel and training	295			295
Capital outlay	52,417			52,417
Debt service	27,700			27,700
Total expenditures	828,890			828,890
Revenue over/(under) expenditures	7,412	312	79,127	86,851
Fund balance, beginning of year	560,305	25,360	1,240,942	1,826,607
Fund balance, end of year	\$ 567,717	\$ 25,672	\$ 1,320,069	\$ 1,913,458

See accompanying notes to financial statements.

SANGER/DEL REY CEMETERY DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF
REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
TO CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

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

Net change in fund balances – total governmental funds	\$ 86,851
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period</p>	
	4,528
<p>Repayment of long-term debt is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of long-term debt principal reduction during the during the current period</p>	
	<u>26,926</u>
Change in net position of governmental activities	<u>\$ 118,305</u>

See accompanying notes to financial statements.

SANGER/DEL REY CEMETERY DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

Note 1: Summary of Significant Accounting Policies

Sanger/Del Rey Cemetery District was organized April 8, 1925 upon the approval of the Board of Supervisors of Fresno County. The District was organized to serve Fresno County. As the District is a governmental unit, it is exempt from federal and California taxes on income.

The accounting and reporting policies of the District conform to generally accepted accounting principles applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Government Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units*, and by the Financial Accounting Standards Board (when applicable).

A. Financial Reporting Entity

As required by generally accepted accounting principles, these general purpose financial statements present the District in conformance with GASB Statement No. 14, "The Financial Reporting Entity." Under Statement No. 14, component units are organizations that are included in the District's reporting entity because of the significance of their operational or financial relationships with the District. The District has no component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements, which are the statement of net position and the statement of activities, report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or activity are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenue include charges to customers and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported in separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the District are presented using the full accrual method of accounting and conform to accounting principles generally accepted in the United States of America and with the policies and procedures of the office of the State Controller, State of California. The District's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements, as well as applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with the GASB pronouncements. The District's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

SANGER/DEL REY CEMETERY DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

Note 1: Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when liabilities are incurred, regardless of the timing of related cash flow. Property taxes are recognized as revenue in the year in which they are levied. Grants and similar items are recognized as revenue when all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, District revenues are available if they are collected within 90 days of the end of the current period. Expenditures generally are recorded when liabilities are incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The District reports the following major governmental funds:

The General Fund is the District's major operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Endowment Care Fund accounts for legislative mandated maintenance activities of the District.

Amounts reported as program revenue include charges to customers for goods and services, operating grants and contributions and capital grants and contributions.

D. Assets, Liabilities and Net Position or Equity

1. Cash and Investments

Investments are reported at fair value. Cash represents cash on hand and in banks. Investments made from pooled cash consist primarily of short-term investments.

2. Inventory

Inventory consists of expendable supplies held for consumption and are stated at cost on the first-in, first-out basis. The value of inventory is fully reserved in an equal amount.

3. Property, Plant and Equipment

Capital assets, which include property, plant and equipment are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of five years. All material fixed assets are valued at historical cost. Donated fixed assets

SANGER/DEL REY CEMETERY DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

Note 1: Summary of Significant Accounting Policies (continued)

Assets, Liabilities and Net Position or Equity (continued)

are valued at their estimated fair value on the date donated. When an asset is disposed of, cost and related accumulated depreciation is removed and any gain or loss arising from its disposal is credited or charged to operations. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Depreciation is recorded by using the straight-line method. The book value of each asset is reduced by equal amounts over its estimated useful life as follows:

	<u>Estimated Useful Life in Years</u>
Buildings	40
Land improvements	20 – 40
Equipment	5 – 25

4. Fund Equity

In the fund financial statements, governmental funds report fund balance amounts in the following classifications: Nonspendable, restricted, committed, assigned and unassigned. Nonspendable amounts represent inventories, prepaid items and long-term receivables. Restricted amounts have been restricted by external bodies. Committed amounts have been restricted by the District's governing board. Assigned amounts represent tentative designations by the District. Unassigned amounts are spendable and are not restricted, committed or assigned.

5. Net Position

Net position comprise the various net earnings from operating income, nonoperating revenue and expense and capital contributions. Net position are classified in the following three components:

Invested in capital assets, net of related debt – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvements of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net asset components as the unspent proceeds.

Restricted – This component of net position consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – This component of net position consists of net position that do not meet the definition of restricted or invested in capital assets, net of related debt.

SANGER/DEL REY CEMETERY DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2014

Note 1: Summary of Significant Accounting Policies (continued)

Assets, Liabilities and Net Position or Equity (continued)

E. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

F. Budgets and Budgetary Accounting

The District established a budget for its governmental fund for the year ended June 30, 2014. The budget is adopted on a basis consistent with generally accepted accounting principles (GAAP).

Note 2: Cash

The District's deposits as of June 30, 2014, were entirely covered by federal depository insurance or otherwise collateralized. The Government Code of the State of California requires California financial institutions to secure District deposits by pledging government securities as collateral.

The following is an analysis of cash as of June 30, 2014:

	<u>Bank Balance Category*</u>			<u>Carrying Amount</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
Cash on hand	\$ 100	\$	\$	\$ 100
Cash in banks	125,773			125,773
County of Fresno	<u> </u>	<u>1,808,110</u>	<u> </u>	<u>1,808,110</u>
	<u>\$ 125,873</u>	<u>\$1,808,110</u>	<u>\$ </u>	<u>\$1,933,983</u>

* These categories are as follows:

Category 1: Cash on hand or insured by the Federal Deposit Insurance Corporation or collateralized with securities held by the District or by its agents in the District's name.

Category 2: Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

Category 3: Uncollateralized.

SANGER/DEL REY CEMETERY DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2014

Note 3: Capital Assets

Following is a summary of activity of the District's capital assets for the year ended June 30, 2014:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2014</u>
Land (not depreciated)	\$ 415,459	\$	\$	\$ 415,459
Buildings and improvements	729,482	39,539		769,021
Equipment	<u>376,147</u>	<u>12,878</u>	<u> </u>	<u>389,025</u>
 Total	 1,521,088	 52,417		 1,573,505
Allowance for depreciation	<u>(500,302)</u>	<u>(47,889)</u>	<u> </u>	<u>(548,191)</u>
	<u>\$1,020,786</u>	<u>\$ 4,528</u>	<u>\$ </u>	<u>\$1,025,314</u>

Note 4: Accounts Payable

Accounts payable and accrued expense as of June 30, 2014 consisted of the following:

Accrued payroll	\$ 7,888
Trade payables	5,585
Accrued payroll taxes	4,018
Sales tax payable	<u>3,050</u>
	<u>\$ 20,541</u>

Note 5: Fund Balance – Reserved and Designated

The following is an analysis of designated fund balances as of June 30, 2014:

Nonspendable for	
Endowment	\$1,275,592
Prepaid insurance	11,806
Restricted for	
Cemetery maintenance	44,477

Note 6: Sales and Service

Charges for current sales and services for the year ended June 30, 2014 consisted of the following:

Vault sales	\$ 162,995
Grave openings	161,675
Land sales	123,810
Endowment care	64,000
Nonresident charges	42,550
Other services	45,150
Other	<u>3,120</u>
	<u>\$ 603,300</u>

SANGER/DEL REY CEMETERY DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2014

Note 7: Employee Retirement System

The District contributes to the California Public Employees' Retirement System (PERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California.

PERS offers three types of benefits. The Service Retirement plan provides monthly income upon retirement of eligible employees. The Non-Industrial (Non-Job Related) Disability Retirement plan provides monthly income to eligible employees who become permanently disabled on or off the job. The Pre-retirement Death Benefits plan provides a lump sum payment to an employee's beneficiary (or estate) should a member die while actively employed. PERS has the authority to amend any one of these plans.

District employees are required to contribute seven percent of their annual salary to the System. The District is required to contribute the remaining amounts necessary to fund the benefits for its members, using the actuarial basis adopted by the PERS Board of Administration. The Schedule of Funding Progress below shows the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded actuarial accrued liability to payroll (in \$1,000):

Valuation Date	Entry Age Normal Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Liability (Excess Assets) (a)-(b)	Funded Status (b)/(a)	Annual Covered Payroll (c)	USSL As a % of Payroll [(a)-(b)]/(c)
6/30/07	\$ 498,935	\$ 479,521	\$ 19,414	96.1%	\$ 171,053	11.4%
6/30/08	532,483	513,147	19,336	96.4%	183,388	10.5%
6/30/09	582,842	553,954	28,888	95.0%	184,320	15.7%
6/30/10	624,423	594,492	29,931	95.2%	186,778	16.0%
6/30/11	682,376	639,237	43,139	93.7%	193,877	22.3%
6/30/12	736,232	701,224	35,008	95.3%	208,517	16.8%

Under generally accepted accounting principles, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employee's actual plan contributions for the year. A summary of principle assumptions and methods used to determine the ARC is shown below:

Valuation date	June 30, 2012
Actuarial cost method	Entry age normal cost method
Amortization method	Level percent of payroll
Average remaining period	9 years as of the valuation date
Assets valuation method	15 year smoothed market
Actuarial assumptions	
Investment rate of return	7.50% (net of administrative expenses)
Projected salary increases	3.30% to 14.20% depending on age, service and type of employment
Inflation	2.75%
Payroll growth	3.00%

Payments by the District to the plan during the year ended June 30, 2014 aggregated \$50,646.

SANGER/DEL REY CEMETERY DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

Note 8: Expenditures in Excess of Appropriations

Actual expenditures exceeded budgeted expenditures by \$26,396 for the year ended June 30, 2014.

Note 9: Board of Trustees

Members of the Board of Trustees as of June 30, 2014, were as follows:

Rene Gonzalez
Mark Johnson
Bill Collins

President
Secretary
Treasurer

SANGER/DEL REY CEMETERY DISTRICT
GENERAL FUND
STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

	General Fund		
	Budget	Actual	Variance
Revenue			
Sales and services	\$ 507,494	\$ 539,300	\$ 31,806
Property taxes	262,519	269,078	6,559
Intergovernmental		12,338	12,338
Real estate rent	11,618	9,068	(2,550)
Interest	5,667	6,197	530
Other		321	321
Total revenue	<u>787,298</u>	<u>836,302</u>	<u>49,004</u>
Expenditures			
Current			
Salaries and wages	352,039	342,703	9,336
Employee benefits	186,000	191,495	(5,495)
Vaults and other costs of sales	42,800	55,537	(12,737)
Repairs and maintenance – grounds	58,985	43,138	15,847
Fuel and oil	14,000	15,336	(1,336)
Repairs and maintenance – equipment	4,500	15,269	(10,769)
Insurance	15,170	14,070	1,100
Workmen’s compensation insurance	15,000	12,401	2,599
Utilities	9,800	11,640	(1,840)
Automobile allowance	4,200	5,252	(1,052)
Office supplies and postage	9,400	5,247	4,153
Telephone	5,300	5,173	127
Legal and professional	5,000	5,040	(40)
Security/gate closure	4,800	4,800	
Garbage removal	5,000	4,203	797
Auditing	4,000	4,000	
Laundry and cleaning	3,600	3,593	7
Dues and subscriptions	2,800	2,908	(108)
Sand, cement and gravel	3,000	2,628	372
Miscellaneous	4,000	1,877	2,123
Tree trimming	3,000	1,300	1,700
Meals and entertainment		868	(868)
Travel and training	4,900	295	4,605
Capital outlay	17,500	52,417	(34,917)
Debt service	27,700	27,700	
Total expenditures	<u>802,494</u>	<u>828,890</u>	<u>(26,396)</u>
Revenue over/(under) expenditures	(15,196)	7,412	22,608
Fund balance, beginning of year	<u>560,305</u>	<u>560,305</u>	
Fund balance, end of year	<u>\$ 545,109</u>	<u>\$ 567,717</u>	<u>\$ 22,608</u>

See accompanying notes to financial statements.

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**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***

INDEPENDENT AUDITOR'S REPORT

August 19, 2014

Board of Trustees
Sanger/Del Rey Cemetery District
Sanger, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Sanger/Del Rey Cemetery District as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated August 19, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Sanger/Del Rey Cemetery 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 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*, or a combination of Deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control 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 Sanger/Del Rey Cemetery 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 the 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Sanborn and Sanborn
Accountancy Corporation*

CERTIFIED PUBLIC ACCOUNTANTS