

DOWNEY CEMETERY DISTRICT
FINANCIAL STATEMENTS
WITH REPORT ON AUDIT
BY INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS
JUNE 30, 2011

DOWNEY CEMETERY DISTRICT

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Downey Cemetery District
Downey, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Downey Cemetery District (the District) as of and for the year ended, June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the District. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, these financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Downey Cemetery District at June 30, 2011 and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 7 to the basic financial statements, the District has implemented the provisions of Governmental Accounting Standards Board Number 54, "Fund Balance Reporting and Governmental Fund Type Definitions", for the year ended June 30, 2011.

The management's discussion and analysis, and the budgetary comparison schedule, identified as Required Supplementary Information in the accompanying table of contents, are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. This information is 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 management's discussion and analysis 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 the audit of the basic financial statements. We do not express an opinion or provide any assurance on the management's discussion and analysis because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison schedule and related note have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

White Nelson Dick Evans LLP

December 6, 2011
Irvine, California

DOWNEY CEMETERY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

As management of the Downey Cemetery District (the 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, 2011. Please read it in conjunction with the financial statements, which follow this section.

Financial Highlights

- The assets of the District exceeded its liabilities, at June 30, 2011, by \$563,942 (*net assets*). Of this amount, \$148,001 (*unrestricted net assets*) may be used to meet the District's ongoing obligations to citizens and creditors.
- As of June 30, 2011, the District's governmental funds reported combined ending fund balances of \$157,729. Of this amount, \$148,001 is available for spending at the District's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$148,001, or 221.53% of total general fund expenditures.

Overview of the Financial Statements

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

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

See independent auditors' report.

DOWNEY CEMETERY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

June 30, 2011

Government-wide financial statements (Continued)

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying events giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements present information about the functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the District include the operation and maintenance of the cemetery grounds in its service area which includes the cities of Downey, Bellflower, South Gate and Paramount.

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. The District only has governmental funds.

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 on 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 fund 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 be better understanding the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

See independent auditors' report.

DOWNEY CEMETERY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

June 30, 2011

Fund financial statements (Continued)

The District maintains various individual government funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Permanent Fund. The District did not have any other funds.

The District adopts an annual appropriated budget for its General Fund. Budgetary comparison statements have been provided for the General Fund to demonstrate compliance with this budget.

Notes to the Basic 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 *required supplementary information* consisting of budgetary comparison schedule for the general fund.

Government-wide Financial Analysis

The assets for the District exceeded liabilities by \$563,942 at June 30, 2011. The government-wide financial statements provide long-term and short-term information about the District's overall financial condition. This analysis addressed the financial statements of the District as a whole.

The following summaries of net assets and change in net assets are presented for the current year as well as for the prior year for comparative purpose.

See independent auditors' report.

DOWNEY CEMETERY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

June 30, 2011

Government-wide Financial Analysis (Continued)

	Governmental Activities Net Assets	
	2011	2010
Assets:		
Current and other assets	\$ 159,591	\$ 153,641
Capital assets	464,017	473,882
Total Assets	623,608	627,523
Liabilities:		
Accounts payable	1,862	1,503
Advance from City of Downey	57,804	60,950
Total Liabilities	59,666	62,453
Net Assets:		
Invested in capital assets, net of related debt	406,213	412,932
Restricted for nonexpendable funds	9,728	8,708
Unrestricted	148,001	143,430
Total Net Assets	\$ 563,942	\$ 565,070

72.03% of the District's net assets reflect the investment in capital assets (e.g. buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to patrons; consequently, these assets are *not* available for future spending.

An additional portion of the District's net assets, \$9,728 (1.73%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* \$148,001 (26.24%) may be used to meet the District's ongoing obligations to citizens and creditors.

See independent auditors' report.

DOWNEY CEMETERY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

June 30, 2011

Governmental Activities
Changes in Net Assets

Revenues:	2011	2010
Program Revenues:		
Charges for services	\$ 11,475	\$ 15,697
General Revenues:		
Property taxes	57,398	60,455
Investment income	3,526	4,136
Other	-	220
Total Revenues	72,399	80,508
Expenses:		
Cemetery Operations:		
Services and supplies	63,662	56,915
Depreciation	9,865	9,864
Total Expenses	73,527	66,779
Change in Net Assets	(1,128)	13,729
Net Assets - Beginning of Year	565,070	551,341
Net Assets - End of Year	\$ 563,942	\$ 565,070

The most significant revenues of the governmental activities are property taxes (79.28%). Investment income represents 4.87% and charges for services (i.e. burial fees, sale of plots and other sales) are 15.85%.

The expenditures incurred by the District are services and supplies (86.58%) directly related to the overall operations of the cemetery and depreciation (13.42%).

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the District's *governmental funds* 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, *unassigned fund balance* may serve as a useful measure of government's net resources available for spending at the end of the fiscal year.

See independent auditors' report.

DOWNEY CEMETERY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

June 30, 2011

General Fund Budget Highlights

Differences between the original budget and the final amended budget are briefly summarized as follows:

- Total revenues projected were \$71,520. Actual revenues were \$71,379, causing a unfavorable variance of \$141.
- Actual charges for services revenue of \$10,455 was \$3,935 or 60.35% higher than projections.
- Actual expenditures were \$7,233 higher than budget.

Capital Assets and Debt Administration

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2011 amounts to \$464,017.

Additional information regarding capital assets can be found in Note 4.

Summary of Changes in Capital Assets

	<u>Balance at</u> <u>June 30, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>June 30, 2010</u>
Land	\$ 29,967	\$ -	\$ -	\$ 29,967
Land improvements	493,239	-	-	493,239
Less: accumulated depreciation	<u>(39,460)</u>	<u>(9,864)</u>	<u>-</u>	<u>(49,324)</u>
Total capital assets, net	<u>\$ 483,746</u>	<u>\$ (9,864)</u>	<u>\$ -</u>	<u>\$ 473,882</u>

	<u>Balance at</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>June 30, 2011</u>
Land	\$ 29,967	\$ -	\$ -	\$ 29,967
Land improvements	493,239	-	-	493,239
Less: accumulated depreciation	<u>(49,324)</u>	<u>(9,865)</u>	<u>-</u>	<u>(59,189)</u>
Total capital assets, net	<u>\$ 473,882</u>	<u>\$ (9,865)</u>	<u>\$ -</u>	<u>\$ 464,017</u>

See independent auditors' report.

DOWNEY CEMETERY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

June 30, 2011

Capital Asset and Debt Administration (Continued)

Debt Administration

The District's long-term liabilities for its governmental activities as of June 30, 2011 amount to \$57,804.

Summary of Changes in Long-Term Liabilities

	<u>Balance at</u> <u>June 30, 2009</u>	<u>Advances</u>	<u>Repayments</u>	<u>Balance at</u> <u>June 30, 2010</u>
Advance from the City of Downey	\$ 65,050	\$ -	\$ (4,100)	\$ 60,950
	<u>Balance at</u> <u>June 30, 2010</u>	<u>Advances</u>	<u>Repayments</u>	<u>Balance at</u> <u>June 30, 2011</u>
Advance from the City of Downey	\$ 60,950	\$ -	\$ (3,146)	\$ 57,804

Additional information regarding long-term liabilities can be found in Note 5.

Economic Factors and Next Year's Budgets and Rates

The key assumption in the revenue forecast for fiscal year 2011-2012 was:

- The property taxes and charges for service (i.e. burial fees, sales of plots) are expected to remain flat.

These factors were considered in preparing the District's annual operating budget for 2011-2012 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, Downey Cemetery District, 11111 Brookshire Avenue, Downey, California 90241.

See independent auditors' report.

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DOWNEY CEMETERY DISTRICT

STATEMENT OF NET ASSETS

June 30, 2011

	<u>Governmental Activities</u>
ASSETS:	
Cash and cash equivalents	\$ 62,912
Cash with County of Los Angeles	87,538
Receivables:	
Accounts	6,815
Taxes, including interest, penalties and liens	2,103
Interest	223
Capital assets	
Non-depreciable	29,967
Depreciable, net	<u>434,050</u>
 TOTAL ASSETS	 <u>623,608</u>
LIABILITIES:	
Accounts payable	1,862
Advance from City of Downey	<u>57,804</u>
 TOTAL LIABILITIES	 <u>59,666</u>
NET ASSETS:	
Invested in capital assets, net of related debt	406,213
Restricted for nonexpendable funds	9,728
Unrestricted	<u>148,001</u>
 TOTAL NET ASSETS	 <u><u>\$ 563,942</u></u>

See independent auditors' report and notes to basic financial statements.

DOWNEY CEMETERY DISTRICT

STATEMENT OF ACTIVITIES

For the year ended June 30, 2011

	<u>Governmental Activities</u>
EXPENSES:	
Cemetery operations:	
Services and supplies	\$ 63,662
Depreciation	<u>9,865</u>
TOTAL EXPENSES	<u>73,527</u>
PROGRAM REVENUES:	
Charges for services:	
Burial fees, sale of plots and other sales	<u>11,475</u>
TOTAL PROGRAM REVENUES	<u>11,475</u>
NET PROGRAM EXPENSES	<u>(62,052)</u>
GENERAL REVENUES:	
Property taxes	57,398
Investment income	<u>3,526</u>
TOTAL GENERAL REVENUES	<u>60,924</u>
CHANGE IN NET ASSETS	(1,128)
NET ASSETS - BEGINNING OF YEAR	<u>565,070</u>
NET ASSETS - END OF YEAR	<u><u>\$ 563,942</u></u>

See independent auditors' report and notes to basic financial statements.

DOWNEY CEMETERY DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2011

	General Fund	Permanent Fund	Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS:			
Cash and cash equivalents (Note 3)	\$ 53,184	9,728	\$ 62,912
Cash held by County of Los Angeles (Note 3)	87,538	-	87,538
Accounts receivable	6,815	-	6,815
Taxes receivable	2,103	-	2,103
Interest receivable	223	-	223
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 149,863</u>	<u>\$ 9,728</u>	<u>\$ 159,591</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 1,862	-	\$ 1,862
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>1,862</u>	<u>-</u>	<u>1,862</u>
FUND BALANCES:			
Nonspendable	-	9,728	9,728
Unassigned	148,001	-	148,001
	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>148,001</u>	<u>9,728</u>	<u>157,729</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 149,863</u>	<u>\$ 9,728</u>	<u>\$ 159,591</u>

See independent auditors' report and notes to financial statements.

DOWNEY CEMETERY DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET ASSETS

June 30, 2011

Fund balances for governmental funds \$ 157,729

Amounts reported for governmental activities in the Statement of Net Assets
are different because:

Capital assets used in governmental activities are not financial resources
and, therefore, are not reported in the governmental funds. 464,017

Long-term liabilities applicable to the District's governmental activities are
not due and payable in the current period and accordingly are not reported
as fund liabilities. All liabilities, both current and long-term, are reported
in the Statement of Net Assets:

Advance from City of Downey (57,804)

Net assets of governmental activities \$ 563,942

See independent auditors' report and notes to basic financial statements.

DOWNEY CEMETERY DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND TYPE

For the year ended June 30, 2011

	General Fund	Permanent Fund	Governmental Funds
REVENUES:			
Property taxes	\$ 57,398	\$ -	\$ 57,398
Charges for services	10,455	1,020	11,475
Investment income	3,526	-	3,526
	<u>71,379</u>	<u>1,020</u>	<u>72,399</u>
TOTAL REVENUES			
EXPENDITURES:			
Office and postage costs	1,863	-	1,863
Utilities	11,958	-	11,958
Contract services	36,353	-	36,353
Travel and meetings	1,100	-	1,100
Insurance	955	-	955
Professional services	11,433	-	11,433
Debt service:			
Repayment of advance	3,146	-	3,146
	<u>66,808</u>	<u>-</u>	<u>66,808</u>
TOTAL EXPENDITURES			
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	4,571	1,020	5,591
FUND BALANCE - BEGINNING OF YEAR	<u>143,430</u>	<u>8,708</u>	<u>152,138</u>
FUND BALANCE - END OF YEAR	<u>\$ 148,001</u>	<u>\$ 9,728</u>	<u>\$ 157,729</u>

See independent auditors' report and notes to financial statements.

DOWNEY CEMETERY DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

For the year ended June 30, 2011

Net Change in fund balances - total governmental funds \$ 5,591

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

Governmental funds report capital outlays as expenditures. However, in
the Statement of Activities, the costs of those assets are allocated over
their estimated useful lives as a depreciation expense:

Depreciation expense (9,865)

The issuance of long-term debt provides current financial resources to
governmental funds, while the repayment of the principal of long-term
debt consumes the current financial resources of governmental funds.

Neither transaction, however, has any effect on net assets.

Repayment of advance 3,146

Change in net assets of governmental activities \$ (1,128)

See independent auditors' report and notes to basic financial statements.

DOWNEY CEMETERY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2011

1. ORGANIZATION AND HISTORY:

The Downey Cemetery District was created in 1928 through a donation of private land by the Masonic Cemetery and the Downey Cemetery Association to the County of Los Angeles and became a county special district. The District is administered by a board of district residents appointed by the County Supervisors. The District provides for the operations and maintenance of the cemetery grounds and its service area includes the cities of Downey, Bellflower, Southgate and Paramount.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Basis of Presentation:

Government-wide Financial Statements:

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then use unrestricted resources as they are needed.

Fund Financial Statements:

The accounting system of the District is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

See independent auditors' report.

DOWNEY CEMETERY DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

A. Basis of Presentation (Continued):

Fund Financial Statements (Continued):

Fund financial statements for the District's governmental funds are presented after the government-wide financial statements. These statements display information about major funds individually and nonmajor funds in the aggregate for governmental funds. The District has no nonmajor funds.

The funds of the District, all of which are major funds are described below:

The General Fund is used to account for all activity not required to be accounted for in other funds.

The Permanent Fund is used to account for donations of restricted financial resources to the District by the public.

B. Measurement Focus and Basis of Accounting:

Measurement Focus:

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements.

On the government-wide Statement of Net Assets and the Statement of Activities, activities are presented using the economic resources measurement focus. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the government are reported.

In the fund financial statements, all governmental funds are accounted for on the current financial resources measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balances (net current assets) are considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Noncurrent portions of long-term receivables due to governmental funds are reported on their balance sheets, in spite of their spending measurement focus. Special reporting treatments are used to indicate, however, that they should not be considered "available spendable resources", since they do not represent net current assets. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the fiscal period. Noncurrent portions of long-term receivables are offset by deferred revenue.

See independent auditors' report.

DOWNEY CEMETERY DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

B. Measurement Focus and Basis of Accounting (Continued):

Basis of Accounting:

Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

In the government-wide Statement of Net Assets and Statement of Activities, the governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of the timing of related cash flows. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available”. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. For this purpose, the government considers revenues to be available if they are collected within a period to pay current liabilities at the end of the current fiscal year.

C. Property Taxes:

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on July 1 and are payable in two installments on November 1 and March 1 and become delinquent December 10 and April 10. The County bills and collects the property taxes and remits them to the District in installments during the year. District property tax revenues are recognized when levied to the extent that they result in current receivables.

The County is permitted by State law (Proposition 13) to levy taxes at 1% of full market value (at time of purchase) and can increase the assessed values no more than 2% per year.

See independent auditors' report.

DOWNEY CEMETERY DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

D. Capital Assets:

Capital assets are recorded at cost where historical records are available and at an estimated original cost where no historical records exist. Contributed capital assets are valued at their estimated fair market value at the date of contribution. Generally, capital asset purchases in excess of \$500 are capitalized if they have an expected useful life of 1 year or more.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the Government-wide Financial Statements. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective Statement of Net Assets.

The lives used for depreciation purposes of each capital asset class are:

Land improvements	50 years
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E. Estimates:

The preparation 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 of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

3. CASH AND INVESTMENTS:

Cash and investments at June 30, 2011 consisted of the following:

	Cost	Fair Value
Cash and investments pooled with City of Downey	\$ 62,912	\$ 62,912
Cash held by the County of Los Angeles	87,538	87,538
Total Cash and Investments	<u>\$ 150,450</u>	<u>\$ 150,450</u>

Cash and investments consisted of bank demand deposits and short term highly liquid investments. The City of Downey holds and invests cash deposits on behalf of the District. All disclosures required by the Governmental Accounting Standards Board related to cash and investments held by the City of Downey are reported in the City's annual report.

See independent auditors' report.

DOWNEY CEMETERY DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

3. CASH AND INVESTMENTS (CONTINUED):

The County of Los Angeles acts as a fiscal agent for the District. The County collects all taxes and benefit assessments due the District until such time as the District requests a drawdown of cash for general operating expenditures. All excess District cash is invested by the County and the District is credited for the interest earnings. The District is charged for its share of administrative costs incurred by the County. All disclosures required by the Governmental Accounting Standards Board related to cash held by the County of Los Angeles are reported in the County's annual report.

4. CAPITAL ASSETS:

Changes in capital assets for the year ended June 30, 2011 were as follows:

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2011</u>
Capital assets, not being depreciated:				
Land	\$ 29,967	\$ -	\$ -	\$ 29,967
Capital assets, being depreciated:				
Land improvements	493,239	-	-	493,239
Less: accumulated depreciation for:				
Land improvements	(49,324)	(9,865)	-	(59,189)
Capital assets, being depreciated, net	<u>443,915</u>	<u>(9,865)</u>	<u>-</u>	<u>434,050</u>
Total capital assets, net	<u>\$ 473,882</u>	<u>\$ (9,865)</u>	<u>\$ -</u>	<u>\$ 464,017</u>

5. LONG-TERM LIABILITIES:

Changes in long-term liabilities for the year ended June 30, 2011 were as follows:

	<u>Balance at July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2011</u>
Advance from City of Downey	\$ 60,950	\$ -	\$ (3,146)	\$ 57,804

See independent auditors' report.

DOWNEY CEMETERY DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

5. LONG-TERM LIABILITIES (CONTINUED):

Advance from City of Downey

The City entered into a zero interest reimbursement agreement with the District and advanced the District \$75,000 to provide additional funding needed for the Niche Gardens and Memorial Wall project. The District's obligation to reimburse the City is contingent upon the District's receipt of proceeds from the sale of niches. Fifty percent of the total gross sales proceeds realized by the District from the sale of niches shall be reimbursed to the City on a quarterly basis. As of June 30, 2011, the outstanding balance of the advance amounted to \$57,804.

6. RELATED PARTY TRANSACTIONS:

The District entered into a contract with the City of Downey, whereby the City provides services to the District, at a cost of \$20,918 for the year, which is included in contract services expenditures. In addition, the District paid water charges in the amount of \$11,680 to the City of Downey's water department.

7. FUND BALANCES:

The fund balances reported on the fund statements consist of the following categories:

Nonspendable Fund Balance - This includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance - This includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed Fund Balance - This includes amounts that can be used only for the specific purposes determined by a formal action of the Board.

Assigned Fund Balance - This includes amounts that are designated by the Board for specific purposes.

Unassigned Fund Balance - This is the residual classification that includes all spendable amounts not contained in the other classifications.

See independent auditors' report.

DOWNEY CEMETERY DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND

For the year ended June 30, 2011

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Property taxes (Note 2C)	\$ 61,000	\$ 57,398	\$ (3,602)
Charges for services	6,520	10,455	3,935
Investment income	4,000	3,526	(474)
	71,520	71,379	(141)
TOTAL REVENUES			
EXPENDITURES:			
Office and postage costs	1,005	1,863	(858)
Utilities	13,240	11,958	1,282
Contract services	30,000	36,353	(6,353)
Travel and meetings	1,800	1,100	700
Insurance	930	955	(25)
Professional services	11,100	11,433	(333)
Debt service:			
Repayment of advance	1,500	3,146	(1,646)
	59,575	66,808	(7,233)
TOTAL EXPENDITURES			
EXCESS OF REVENUES OVER EXPENDITURES	11,945	4,571	(7,374)
FUND BALANCE - BEGINNING OF YEAR	143,430	143,430	-
FUND BALANCE - END OF YEAR	\$ 155,375	\$ 148,001	\$ (7,374)

See independent auditors' report and note to required supplementary information.

DOWNEY CEMETERY DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2011

1. BUDGETS:

The District prepares and adopts the annual budget before June 30th for the ensuing year. From the effective date of the budget, the proposed expenditures become appropriations to the general fund. There are no significant non-budgeted activities. The board of trustees may pass amendments to the budget during the year.

The District prepares its budgets on the basis of actual expenditures and accordingly, the budget amounts being presented in the accompanying financial statements are presented on a basis substantially consistent with accounting principles generally accepted in the United States of America. A budget and actual comparison for the Permanent Fund is not presented, because a budget is not adopted for this fund.