

Reserve Policy

San Jacinto Valley Cemetery District

The District has two major classifications of Funds, i.e. Riverside County Funds and Invested Funds.

Riverside County Fund Types:

General Fund – The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. Prior to January 1, 1994, all expenditures for purchases, services, and payroll were made by the County Treasurer to the vendors based on warrant authorizations issued and approved by the Board of Trustees. In December 1993, in order to speed up payment of monthly operating costs, a resolution was passed to set up a local bank account in the amount of \$60,000 to pay all recurring monthly expenses, including payroll, and is replenished by transfers from the County Treasurer as needed. This account is covered by Federal Depository Insurance.

Endowment Fund – On July 1, 1985, the District established an endowment fund reserve as mandated by the State of California. This fund is to be used to continue operations of the cemetery in the event the District is dissolved; or the District no longer has grave sites available for sale. The funds are to be invested; however, the investment earnings may be used for current operating expenditures. Periodically, when the principal balance reaches approximately \$100,000 all but a few thousand will be withdrawn and *invested* with the Endowment Care Principal – Restricted Funds. Any interest earned on the Endowment County Funds is deposited to the Cash Account of the Endowment Care Interest – Unrestricted Funds.

Capital Projects Fund – On September 18, 2002, the District established a land acquisition and capital improvement fund known as the ACO Account. This fund allows the Trustees to set aside funds, as they determine, from whatever likely available sources. The funds are to be invested; however, the investment earnings may be used for current operating expenditures. A maintained list of short-term expenditures and long-term goals outlines the intended application of these designated funds. From time to time the Board may authorize additions to this

Fund/Account from the General or Unrestricted Fund Balances to meet the District's immediate or future acquisition or capital expenditure needs.

Pre-Need Fund – On November 15, 2001, the District established a pre-need fund. This fund allows customers to prepay for opening and closing accounts on their gravesite, and to prepay for cement products for that gravesite. The funds are to be invested; however, the investment earnings may be used for current operating expenditures. When excess reserves are realized the Board authorizes withdrawals from this Fund, and *invests* the withdrawn funds with the Pre-Need -- Restrictive Funds. Realistically the cost of internment will be more costly in the future. Investing the Pre-Need Funds in accordance with the District's Pre-Need Policy, should with some degree of certainty, provide the added value to the Fund to satisfy the increased future cost of internments and concrete products.

Invested Funds:

The Board adopted an investment policy on October 16, 2002 which authorized investing District funds outside the Riverside County Treasurer purview. This action was taken to maximize investment returns with an acceptable level of risk.

Endowment Care Principal – As mentioned earlier this kind of fund is mandated by the State. The Board establishes the endowment fee. As fees are collected they are initially deposited with the County Treasurer. When the County Endowment Fund reaches approximately \$100,000 the dollars are withdrawn and re-deposited into this account and allowed to earn interest at a higher rate than if left in County funds.

Endowment Care Interest – Earnings on the principal are invested and may be used for current operating expenditures, and therefore are designated as Unrestricted Funds.

Pre-Need Account – The Board has taken the position that all deposits to this account are restricted funds to be used sometime in the future for internment expenses and cement products. Although the earnings may be used for current operating expenses, it would not be prudent to do so, knowing that a future dollar probably will be more expensive than a current dollar.

Acquisition and Capital Expenditure Account – From time to time funds will be withdrawn from County Funds and re-deposited into this account. The purpose of doing these money transfers is, again, to put these reserves to work.

The County's rate of return on fund balances has historically been short-term money market rates. Investing in long-term qualified assets is a prudent and profitable gesture by the board; and, in the long run these transfers will provide additional dollars that can be used to improve equipment and meet future space needs.