

**Twentynine Palms  
Public Cemetery District**

**Report on Audit**

**June 30, 2015**

# Twentynine Palms Public Cemetery District

June 30, 2015

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## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Twentynine Palms Public Cemetery District  
Twentynine Palms, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the remaining fund information of Twentynine Palms Public 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 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion 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 and Reporting Guidelines 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 of 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 auditors consider 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 opinion.

The Board of Directors  
Twentynine Palms Public Cemetery District

## **Opinion**

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 remaining fund information of Twentynine Palms Public 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, as well as accounting systems prescribed by the State Controller's Office and the State regulations governing Special Districts.

## **Other Matters**

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 and 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 on them.

### Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

*Messner & Hadley, LLP.*

Messner & Hadley, LLP  
Victorville, California

October 1, 2015

# Twentynine Palms Public Cemetery District

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

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As management of the District, we offer readers of our financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2015.

### FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the year by \$668,676. Of this amount, \$293,258 may be used to meet the District's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the District governmental funds reported combined ending fund balances of \$516,295, an increase of \$27,776 in comparison with the prior year.
- At the end of the current year, unreserved fund balance for the general fund was \$158,322 or 69% of the total general fund expenditures.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the 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 difference between the two reported as net position. 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 takes place, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in the statement for certain items that will only result in cash flows in future fiscal periods.

#### 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 used fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund financial statements report essentially the same functions as those reported in the government-wide financial statements. However, unlike government-wide financial statements, 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*.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate the comparison between governmental funds and government-wide statements. The District adopts an annual appropriated budget for its funds. Budgetary comparison statements have been provided for each fund to demonstrate compliance with the budget.

# Twentynine Palms Public Cemetery District

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

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### Notes to 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. The Notes to the Basic Financial Statements can be found on pages 16 to 24 of this report.

### Required Supplementary Information

In addition to the Basic Financial Statements and accompanying notes, this report also presents required supplementary information concerning the budgetary comparison schedule. The Note to this schedule can be found on page 26 of this report.

## GOVERNMENT -WIDE FINANCIAL ANALYSIS

Our analysis focuses on the net position and the changes in net position of the District's governmental activities.

### Net Position

The following schedule is a condensed Statement of Net Position, as of the year ended June 30, 2015, as compared to the prior year.

	<b>Governmental Activities</b>		
	<u>2015</u>	<u>2014</u>	<u>Change</u>
<b>Assets</b>			
Current and other assets	\$ 516,292	\$ 488,512	\$ 27,780
Capital assets	<u>153,222</u>	<u>161,960</u>	<u>(8,738)</u>
Total assets	669,514	650,472	19,042
<b>Liabilities</b>			
Current and other liabilities	(3)	(6)	3
Long-term liabilities	<u>841</u>	<u>418</u>	<u>423</u>
Total liabilities	838	412	426
<b>Net position</b>			
Invested in capital assets, net of related debt	153,222	162,052	(8,830)
Restricted	222,196	217,322	4,874
Unrestricted	<u>293,258</u>	<u>270,778</u>	<u>22,480</u>
<b>TOTAL NET POSITION</b>	<u>\$ 668,676</u>	<u>\$ 650,152</u>	<u>\$ 18,524</u>

# Twentynine Palms Public Cemetery District

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

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Net position invested in capital assets, net of related debt, reflect the District's investment in capital assets (i.e., structures and improvements, and equipment) and represent 23% of total net position. The District uses the capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Restricted net position reflects resources that are subject to external restrictions on how they may be used, and represent 33% of total net assets. Unrestricted net position represents 44% of total net position and may be used to meet the District's ongoing obligations to staff members and creditors.

Net position may serve over time as a useful indicator of a government's financial position. The District's assets exceed liabilities by \$668,676 at the close of this fiscal year. The most significant portion of the District's net assets is its cash and investments balance (\$506,593). The majority of cash and investments are maintained in the San Bernardino County's cash and investment pool where interest earned on the District's balance is apportioned to the District.

### Governmental Activities

The objective of the Statement of Activities is to report the full cost of providing government services for the year. The Statement of Activities also presents information showing how the District's net position changed during the year. All changes in net position are reported as soon as the underlying event occurs regardless of the timing of the cash flows.

	Governmental Activities		
	2015	2014	Change
<b>Program revenues</b>			
Charges for services	\$ 22,559	\$ 8,557	\$ 14,002
<b>General revenues</b>			
Property taxes	179,914	176,768	3,146
Other taxes	1,512	1,626	(114)
Interest and investment income	4,884	5,692	(808)
Other income	1,168	311	857
Gain (loss) on value of investment	1,105	(913)	2,018
Transfers	45,816	28,646	17,170
Total general revenues	<u>234,399</u>	<u>212,130</u>	<u>22,269</u>
Total revenues	256,958	220,687	36,271
<b>Expenses</b>			
Salaries and benefits	173,626	146,459	27,167
Services and supplies	33,695	23,150	10,545
Utilities	12,675	11,227	1,448
Professional services	9,177	9,844	(667)
Other expense	431	-	431
Depreciation	8,830	11,660	(2,830)
Total expenses	<u>238,434</u>	<u>202,340</u>	<u>36,094</u>
CHANGE IN NET POSITION	18,524	18,347	177
<b>Net position</b>			
Beginning of year	<u>650,152</u>	<u>631,805</u>	<u>18,347</u>
End of year	<u>\$ 668,676</u>	<u>\$ 650,152</u>	<u>\$ 18,524</u>

# **Twentynine Palms Public Cemetery District**

## **MANAGEMENT' S DISCUSSION AND ANALYSIS**

June 30, 2015

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The District's net position increased overall by \$18,524 during the 2014-2015 fiscal year. This increase is primarily a result of a decrease in services and supplies expense and professional services expense.

### **FINANCIAL ANALYSIS OF THE DISTRICT'S GENERAL FUND**

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, 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.

For the year ended June 30, 2015, the District reported an ending fund balance of \$158,322, an increase of \$17,741 from the prior year. This increase was due to an increase in charges for services.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### **Capital Assets**

The District's investment in capital assets for its governmental activities, as of June 30, 2015, amounts to \$153,222 (net of accumulated depreciation). This investment in capital assets includes structures, improvements, equipment and vehicles.

#### **Debt Administration**

The District's long-term debt obligations consist of compensated absences payable.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The fiscal year 2015-16 budget reflects a 16% increase in expenditures due to increased capital improvements. Overall employee costs are estimated to rise approximately 4%. Revenues for fiscal year 2015-16 are anticipated to be slightly higher.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the District's financial position for all interested parties. Questions concerning any information in this report or requests for additional financial information should be addressed to the Twentynine Palms Public Cemetery District, 5350 Encelia Avenue, Twentynine Palms, California 92277.



**BASIC FINANCIAL STATEMENTS –**

**GOVERNMENT -WIDE FINANCIAL STATEMENTS**

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# Twentynine Palms Public Cemetery District

STATEMENT OF NET POSITION  
June 30, 2015

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	<b>Governmental Activities</b>
<b>Assets</b>	
<b>Current assets</b>	
Cash and cash equivalents	\$ 241,718
Investments	264,875
Interest receivable	83
Taxes receivable	1,548
Inventory	2,827
Prepaid expenditures	<u>5,241</u>
Total current assets	516,292
<b>Noncurrent assets</b>	
Capital assets	
Land	23,797
Structures and improvements	388,508
Equipment and vehicles	106,481
Less accumulated depreciation	<u>(365,564)</u>
Total noncurrent assets	<u>153,222</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 669,514</u></u>

See the accompanying notes and auditors' report

# Twentynine Palms Public Cemetery District

## STATEMENT OF NET POSITION

June 30, 2015

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	<b>Governmental Activities</b>
<b>Liabilities and Net Position</b>	
<b>Current liabilities</b>	
Accounts payable	<u>\$ (3)</u>
Total current liabilities	(3)
<b>Noncurrent liabilities</b>	
Compensated absences	<u>841</u>
Total noncurrent liabilities	<u>841</u>
Total liabilities	838
<b>Net position</b>	
Invested in capital assets, net of depreciation	153,222
Restricted	222,196
Unrestricted	<u>293,258</u>
Total net position	<u>668,676</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u><u>\$ 669,514</u></u>

See the accompanying notes and auditors' report

# Twentynine Palms Public Cemetery District

STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2015

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	<b>Governmental Activities</b>
<b>Program expenses</b>	
Salaries and benefits	\$ 173,626
Services and supplies	33,695
Utilities	12,675
Professional services	9,177
Capital outlay	431
Depreciation	8,830
	<hr/>
Total program expenses	238,434
<b>Program revenues</b>	
Charges for services	22,559
	<hr/>
Total program revenues	22,559
	<hr/>
Net program revenues (expenses)	(215,875)
<b>General revenues (expenses)</b>	
Property taxes	179,914
Other taxes	1,512
Interest and investment income	4,884
Other income	1,168
Gain (loss) on value of investment	1,105
Transfers	45,816
	<hr/>
Total non-operating revenues (expenses)	234,399
	<hr/>
INCREASE IN NET POSITION	18,524
<b>Net position</b>	
Beginning, July 1, 2014	650,152
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Ending, June 30, 2015	\$ 668,676
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See the accompanying notes and auditors' report

**BASIC FINANCIAL STATEMENTS –**

**FUND FINANCIAL STATEMENTS**

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# Twentynine Palms Public Cemetery District

## GOVERNMENTAL FUNDS – BALANCE SHEET

June 30, 2015

	General (MAV)	Permanent Fund Endowment Care (MBA)	Total Governmental Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 148,374	\$ 93,344	\$ 241,718
Investments	-	264,546	264,546
Interest receivable	329	83	412
Taxes receivable	1,548	-	1,548
Accounts receivable services	-	-	-
Inventory	2,827	-	2,827
Prepaid expenditures	5,241	-	5,241
<b>TOTAL ASSETS</b>	<b><u>\$ 158,319</u></b>	<b><u>\$ 357,973</u></b>	<b><u>\$ 516,292</u></b>
<b>Liabilities</b>			
Accounts payable	\$ (3)	\$ -	\$ (3)
<b>Total liabilities</b>	<b>(3)</b>	<b>-</b>	<b>(3)</b>
<b>Fund balances</b>			
Reserved			
Endowment principal - nonexpendable	-	222,196	222,196
Unreserved	158,322	135,777	294,099
<b>Total fund balances</b>	<b><u>158,322</u></b>	<b><u>357,973</u></b>	<b><u>516,295</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 158,319</u></b>	<b><u>\$ 357,973</u></b>	<b><u>\$ 516,292</u></b>

See the accompanying notes and auditors' report

# Twentynine Palms Public Cemetery District

## Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position June 30, 2015

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Fund balance - governmental funds \$ 516,295

Amounts reported for governmental activities 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.

Cost of capital assets	\$ 518,786	
Accumulated depreciation	<u>(365,564)</u>	
		153,222

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of:

Compensated absences	<u>(841)</u>
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TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	<u><u>\$ 668,676</u></u>
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See the accompanying notes and auditors' report

## Twentynine Palms Public Cemetery District

GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
For the Year Ended June 30, 2015

	General (MAV)	Permanent Fund Endowment Care (MBA)	Total Governmental Funds
<b>Revenues</b>			
Charges for services	\$ 18,244	\$ 4,315	\$ 22,559
Property taxes	179,914	-	179,914
Other tax revenue	1,512	-	1,512
Interest and investment income	269	4,615	4,884
Other income	1,168	-	1,168
Gain (loss) on value of investment	-	1,105	1,105
Total revenues	201,107	10,035	211,142
<b>Expenditures</b>			
Salaries and employee benefits	173,204	-	173,204
Services and supplies	33,695	-	33,695
Utilities	12,675	-	12,675
Professional services	9,177	-	9,177
Capital outlay	431	-	431
Total expenditures	229,182	-	229,182
Excess of revenues over/under expenditures	(28,075)	10,035	(18,040)
<b>Other financing sources</b>			
Transfers in	45,816	-	45,816
Total other financing sources and uses	45,816	-	45,816
NET CHANGES IN FUND BALANCES	17,741	10,035	27,776
<b>Fund balances</b>			
Beginning, July 1, 2014	140,581	347,938	488,519
Ending, June 30, 2015	\$ 158,322	\$ 357,973	\$ 516,295

See the accompanying notes and auditors' report



# Twentynine Palms Public Cemetery District

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities  
For the Year Ended June 30, 2015

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Total net changes in fund balances - governmental funds \$ 27,776

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.

Less: current year depreciation (8,830)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in compensated absences (422)

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES \$ 18,524

See the accompanying notes and auditors' report

# Twentynine Palms Public Cemetery District

FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET POSITION  
June 30, 2015

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	Private-Purpose Trust Fund
	Pre-Need Burial (MAY)
<b>Assets</b>	
Cash and cash equivalents	\$ 196,494
Accounts receivable	7,212
Accounts receivable services	193
<b>TOTAL ASSETS</b>	<u>\$ 203,899</u>
<b>Net Position</b>	
Restricted	<u>\$ 203,899</u>
Total net position	<u>203,899</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 203,899</u>

See the accompanying notes and auditors' report

# Twentynine Palms Public Cemetery District

FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
June 30, 2015

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	Private-Purpose Trust Fund
	Pre-Need Burial (MAY)
	<hr/>
<b>Additions</b>	
Contributions	\$ 30,570
Investment Earnings - Interest	<hr/> 835
Total Additions	31,405
 <b>Deductions</b>	
Transfers Out	<hr/> 45,816
Total Deductions	<hr/> 45,816
Changes in Net Position	(14,411)
Net Position - Beginning	<hr/> 218,310
Net Position - Ending	<hr/> <hr/> \$ 203,899

See the accompanying notes and auditors' report

# Twentynine Palms Public Cemetery District

## NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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### NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

#### Description of Reporting Entity

Twentynine Palms Public Cemetery District (the “District”) was formed in 1934 and is an independent special district located within the County of San Bernardino. The District was established to provide cemetery service to the community of Twentynine Palms, California.

The District includes all activities (operations of its administrative staff and District officers) considered to be a part of the District. The District reviewed the criteria developed by the Governmental Accounting Standards Board (GASB) relating to the financial reporting entity to determine whether the District is financially accountable for other entities. The District has determined that no other outside entity meets the above criteria and, therefore, no agency has been included as a component unit in the financial statements. In addition, the District is not aware of any entity that would be financially accountable for the District that would result in the District being considered a component unit of that entity.

#### Measurement Focus and Basis of Presentation

**Government-Wide Financial Statements** – The Statement of Net Position and Statement of Activities display information about the primary government (the District). These statements include the non-fiduciary financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. *Governmental activities*, which are normally supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely, to a significant extent, on fees and information sales. At June 30, 2015, the District had no business-type activities.

The Statement of Activities demonstrates the degree to which the program expenses of a given function or identifiable activity is offset by program revenues. Program expenses are those that are clearly identifiable with a specific function or identifiable activity, and allocated indirect expenses. Program revenues include fees, fines and charges paid by the recipient of goods, services, or privileges provided by the program, and 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, including all taxes and investment earnings, are presented as general revenues.

When both restricted and unrestricted net assets are available, restricted resources are used only after the unrestricted resources are depleted.

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

*Governmental funds* are used to account for activities that are governmental in nature. Governmental activities are typically tax-supported and include the operations and maintenance of the cemetery.

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

# Twentynine Palms Public Cemetery District

## NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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### Major Governmental Funds:

1. **General Fund** – The general fund is the main operating fund of the District. It is used to account for all activities except those that are required to be accounted for in another fund. In keeping with the minimum number of funds principle, all of a District’s activities are reported in the general fund unless there is a compelling reason to account for an activity in another fund. A District may have only one general fund.
2. **Permanent / Endowment Fund** – This fund is used to account for resources that are restricted to the extent that earnings, but not principal, may be used for purposes that support the District’s operations. The principal may never be spent.

### Fiduciary Funds:

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

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

### Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to timing of the measurements made, regardless of the measurement focus applied.

**Government-Wide Financial Statements** – 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 at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, includes grants, entitlements and donations. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligible requirements have been satisfied.

**Fund Financial Statements** – The governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenue susceptible to accrual includes taxes, interests, and intergovernmental revenue if their receipt occurs within sixty days after the end of the accounting period so as to be measurable and available. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

### Cash and Investments

The District maintains nearly all of its cash in the San Bernardino County Treasury. The County pools these funds with those of other entities in the County and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool. The Treasurer’s investments and policies are overseen by the San Bernardino County Treasury Oversight Committee. Additional information regarding the categorization of investments can be found in the County of San Bernardino’s financial statements.

# Twentynine Palms Public Cemetery District

## NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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### Capital Assets

Capital assets are stated on the basis of historical cost, or if historical cost is not determinable, at estimated historical costs. Capital acquisitions are reflected as expenditures in the governmental fund types with the related asset reported in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$1,000. Capital assets used in operations are depreciated or amortized (assets under capital leases) under the straight-line method over the lesser of the capital lease period or their estimated useful lives in the government-wide financial statements. A full year of depreciation is taken in the year of acquisition. No depreciation is taken in the year of disposal.

Estimated useful lives are as follows:

Structures and improvements	15-45 years
Equipment and vehicles	6-20 years

### Compensated Absences

Accumulated leave benefits include vacation salaries and are reported in the government-wide financial statements. These amounts would not be expected to be liquidated from expendable available financial resources, but would be expected to be liquidated in future years as employees elect to use these benefits as prescribed by Civil Service rules and regulations.

No liability is recorded for non-vesting accumulated rights to receive sick pay benefits. District employees have accumulated unpaid vested benefits of \$841 at June 30, 2015.

### Fund Balance Reserves and Designation

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

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

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

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

# Twentynine Palms Public Cemetery District

## NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

### Net Position

Net Position represents the difference between assets and liabilities. Net Position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The District has related debt outstanding as of June 30, 2015. Net Position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The district-wide financial statements report \$222,196 of restricted net position.

### Interfund Activity

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

### Use of 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 at the date of financial statements and the reported net income during the reporting period. Actual results could differ from those estimates.

### Budgetary Data

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

### **NOTE 2 – OUTSIDE INVESTMENTS**

A portion of the Endowment Care Fund is invested with an approve broker/dealer, per the District’s Investment Policy. As of June 30, 2015, the fair value of the investments in the Endowment Care Fund was \$264,546 consisting of the following:

Cash and Money Fund	\$ 31,820
Federal Agencies	<u>232,726</u>
Total Investments	<u>\$ 264,546</u>

# Twentynine Palms Public Cemetery District

## NOTES TO FINANCIAL STATEMENTS

June 30, 2015

### Investment Credit Risk

Investment credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to fulfill its obligation. GASB requires the disclosure of credit quality ratings for investments.

California law places limitations on the purchase of investments in regards to the credit ratings issued by the top two of three nationally recognized statistical rating organizations and limits are also placed on the maximum percentage investments by sector and by individual issuer. Investments issued by or explicitly guaranteed by the U.S. Government or issued by or fully guaranteed as to principal and interest by federal agencies are not considered to have credit risk or individual issuer limitations. As of June 30, 2015, all investments are within the District's policy limits.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Quality Ratings</u>	<u>Allowed % of Portfolio</u>	<u>Issuer Limitations</u>
Cash	\$ 31,820			
Federal Agencies	28,902	N/A	100%	None
Money Market Bearing Deposits	<u>203,824</u>	N/A	100%	None
Total Investments	<u>\$ 264,546</u>			

### Concentration of Credit Risk

Concentration of credit risk increases the risk of loss as more investments are acquired from one issuer, resulting in a lack of diversification. GASB 40 requires disclosures of investments by amount and issuer that represent five percent or more of total investments held. This requirement excludes investments issued by or explicitly guaranteed by the United States Government. As of June 30, 2015, the following issuers represent more than five percent of the District's investments:

#### Concentration of Credit Risk

<u>Issuer</u>	<u>Fair Value</u>	<u>% of Portfolio</u>
Bank Internet USA CD	\$ 15,605	5.90%
BMW Bank North America CD	\$ 20,073	7.59%
Fico Strips	\$ 28,902	10.93%
Goldman Sachs Bank CD	\$ 95,941	36.27%
HSBC Bank CD	\$ 15,027	5.68%
State Bank of India CD	\$ 15,078	5.70%



# Twentynine Palms Public Cemetery District

NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

## Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

California law places limitations on the maximum maturity of investments to be purchased by sector, unless specific conditions are met per the District's Investment Policy. California law states that the maximum maturity limit of any investment is five years. As of June 30, 2015, the District is in compliance with the policy.

Investment Type	Fair Value	Less than 1 (and Cash)	1-5	5-10	More than 10
Cash and Money Fund	\$ 31,820	\$ 31,820	\$ -	\$ -	\$ -
Federal Agents	232,726	-	232,725	-	-
Total	\$ 264,546	\$ 31,820	\$ 232,725	\$ -	\$ -

## Custodial Credit Risk

Custodial credit risk for investments exists if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty (broker/dealer) or the counterparty's trust department or agent, but not in the government's name. Since the outside investments at June 30, 2015 are recorded in the District's name, custodial credit risk for investments does not exist.

## NOTE 3 – POOLED CASH AND INVESTMENTS

Cash on hand and on deposit, as of June 30, 2015, consisted of the following:

	Governmental Funds		Fiduciary Fund
	General (MAV)	Permanent Fund Endowment Care (MBA)	Private-Purpose Trust Fund Pre-Need Burial (MAY)
Cash in County Treasury	\$ 137,089	\$ 93,344	\$ 196,494
Cash on Hand and in Banks	11,285	-	-
Total Cash	\$ 148,374	\$ 93,344	\$ 196,494

# Twentynine Palms Public Cemetery District

## NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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### **Cash in County Treasury**

A significant majority of the District's cash is pooled with the San Bernardino County Treasurer, who acts as a disbursing agent for the District. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the Treasury Pool for the entire Treasury Pool portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on accounting records maintained by the Treasury pool, which are recorded on an amortized cost basis. Interest earned on investments pooled with the County is allocated quarterly to the appropriate fund based on its respective average daily balance for that quarter. The Treasury Oversight Committee has regulatory oversight for all monies deposited into the Treasury Pool.

### **Investment Guidelines**

The District's pooled cash and investments are invested pursuant to investment policy guidelines established by the County Treasurer and approved by the Board of Supervisors. The objectives of this policy are, in order of priority: safety of capital, liquidity and maximum rate of return. The policy addresses the soundness of financial institutions in which the County will deposit funds, types of investment instruments as permitted by the California Government Code 53601, and the percentage of the portfolio that may be invested in certain instruments with longer terms to maturity.

A copy of the Treasury Pool investment policy is available upon request from the San Bernardino County Treasurer.

### **Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, one of the ways that the Treasury Pool manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturing evenly over time as necessary to provide the cash flow and liquidity needed for operations.

### **Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investment with the San Bernardino County Investment Pool is unrated.

### **Custodial Credit Risk**

Custodial credit risk for deposits 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. In addition, the California Government Code limits the total of all securities lending transactions to 20% of the fair value of the investment portfolio.

# Twentynine Palms Public Cemetery District

NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

## Concentration of Credit Risk

The investment policy of the County contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. For a listing of investments in any one issuer (other than U.S. Treasury securities, mutual funds, or external investment pools) that represent 5% or more of total County investments, refer to the 2014 San Bernardino County CAFR.

## NOTE 4 – RESTRICTED CASH

Cash and cash equivalents and investments that are restricted by legal or contractual requirements, at June 30, 2015, are comprised of the following:

Permanent Fund – Endowment Care – Restricted cash and investments of \$222,196 represents principal (corpus) that is legally restricted for perpetual maintenance of the District.

## NOTE 5 – CAPITAL ASSETS

Capital asset activity, for the year ended June 30, 2015 is as follows:

GOVERNMENTAL ACTIVITIES	Balance	Additions	Retirements	Balance
	June 30, 2014			June 30, 2015
<b>Capital assets not being depreciated:</b>				
Land	\$ 23,797	\$ -	\$ -	\$ 23,797
Construction in progress	-	-	-	-
Total capital assets not being depreciated	23,797	-	-	23,797
<b>Capital assets, being depreciated:</b>				
Structure and improvements	388,508	-	-	388,508
Vehicles	86,996	-	-	86,996
Equipment	19,485	-	-	19,485
Total capital assets being depreciated	494,989	-	-	494,989
<b>Less accumulated depreciation for:</b>				
Structure and improvements	271,700	5,440	-	277,140
Vehicles	72,674	2,142	-	74,816
Equipment	12,360	1,248	-	13,608
Total accumulated depreciation	356,734	8,830	-	365,564
Capital assets, being depreciated, net	138,255	(8,830)	-	129,425
Total net capital assets	\$ 162,052	\$ (8,830)	\$ -	\$ 153,222

Depreciation expense of \$8,830 was charged for the year ended June 30, 2015.

# Twentynine Palms Public Cemetery District

NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

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## NOTE 6 – COMPENSATED ABSENCES

When employment with the District is terminated, an employee will receive compensation for all unused annual leave hours. The following is a summary of earned compensated absences for the District for the year ended June 30, 2015:

Balance, June 30, 2014	\$ 418
Additions (Deletions), Net	<u>423</u>
Balance, June 30, 2015	<u><u>\$ 841</u></u>

## NOTE 7 – TRANSFERS IN / OUT

Interfund Transfers In/Out transactions are used to close out a fund, reimburse an operating fund, and transfer cash between funds. At June 30, 2015, the District made the following Interfund transfers:

<u>Fund</u>	<u>Purpose</u>	<u>Amount</u>
General MAV	To General Fund from Pre-Need Fund to reimburse expenses	\$ 45,816
Pre-Need MAY	From Pre-Need Fund to General Fund to pay for expenses	<u>(45,816)</u>
		<u><u>\$ -</u></u>

## NOTE 8 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft or damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters.

The District is insured with the American Alternative Insurance Corporation for general liability, property damage, employee dishonesty, and automobile liability. Preferred Employers Insurance Company provides the District with worker's compensation insurance for all employees in extra or full time positions. Unemployment insurance is provided through the State of California's Employment Development Department.

## NOTE 9 – SUBSEQUENT EVENTS

Management has reviewed its financial statements and evaluated subsequent events for the period of time from its year ended June 30, 2015 through October 1, 2015, the date the financial statements were issued. Management is not aware of any subsequent events that would require recognition or disclosure in the accompanying financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

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# Twentynine Palms Public Cemetery District

## BUDGETARY COMPARISON SCHEDULE For the Year Ended June 30, 2015

### GENERAL FUND (MAV)

	<u>Budget</u>		<u>Actual Amount GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Budgetary fund balance, June 30, 2014</b>	\$ 140,581	\$ 140,581	\$ 140,581	\$ -
<b>Resources (inflows):</b>				
Property taxes	190,584	190,584	179,914	(10,670)
Other taxes	1,000	1,000	1,512	512
State aid-homeowners exemption	-	-	-	-
Interest	346	346	269	(77)
Transfers in	27,453	27,453	45,816	18,363
Charges for services	5,423	5,423	18,244	12,821
Other revenue	425	425	1,168	743
	<u>225,231</u>	<u>225,231</u>	<u>246,923</u>	<u>21,692</u>
Amounts available for appropriations	225,231	225,231	246,923	21,692
<b>Charges to appropriations (outflows):</b>				
Salaries and benefits	156,131	156,131	173,204	(17,073)
Services and supplies	28,800	28,800	33,695	(4,895)
Utilities	14,000	14,000	12,675	1,325
Professional services	11,300	11,300	9,177	2,123
Capital outlay	3,000	3,000	431	2,569
General reserve	4,000	4,000	-	4,000
Appropriation and contingencies	8,000	8,000	-	8,000
	<u>225,231</u>	<u>225,231</u>	<u>229,182</u>	<u>(3,951)</u>
Total charges to appropriations	225,231	225,231	229,182	(3,951)
<b>Budgetary fund balance, June 30, 2015</b>	<u>\$ 140,581</u>	<u>\$ 140,581</u>	<u>\$ 158,322</u>	<u>\$ 17,741</u>

See the accompanying note to the required supplementary information

# Twentynine Palms Public Cemetery District

## NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2015

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### NOTE 1 – PURPOSE OF SCHEDULE

#### **Budgetary Basis of Accounting**

The District prepares a final budget on or before June 30 of the preceding fiscal year. Budgets are adopted on a basis that is substantially in accordance with generally accepted accounting principles.

After the budget is approved, the appropriations can be added to, subtracted from or changed only by Board resolution. All such changes must be within the revenues and reserves estimated as available in the final budget or within revised revenue estimates as approved by the Board. Appropriations lapse at the end of the fiscal year. Encumbrance accounting is not utilized.