

**Twentynine Palms  
Public Cemetery District**

**Report on Audit**

**June 30, 2017**

# Twentynine Palms Public Cemetery District

June 30, 2017

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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, 2017, 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 and the reporting guidelines for California Special Districts required by the Office of the State Controller. 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, 2017, 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 26 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

November 22, 2017

# Twentynine Palms Public Cemetery District

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

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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, 2017.

### FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the year by \$580,601. Of this amount, \$87,213 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 \$302,541, a decrease of \$6,196 in comparison with the prior year.
- At the end of the current year, unreserved fund balance for the general fund was \$70,070 or 27% 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, 2017

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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 25 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 27 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, 2017, as compared to the prior year.

	<b>Governmental Activities</b>		
	<u>2017</u>	<u>2016</u>	<u>Change</u>
<b>Assets</b>			
Current and other assets	\$ 302,542	\$ 330,369	\$ (27,827)
Capital assets	280,576	293,117	(12,541)
Total assets	<u>583,118</u>	<u>623,486</u>	<u>(40,368)</u>
<b>Liabilities</b>			
Current and other liabilities	-	2,312	(2,312)
Long-term liabilities	2,517	2,047	470
Total liabilities	<u>2,517</u>	<u>4,359</u>	<u>(1,842)</u>
<b>Net position</b>			
Invested in capital assets, net of related debt	280,576	293,117	(12,541)
Restricted	212,812	224,933	(12,121)
Unrestricted	<u>87,213</u>	<u>101,077</u>	<u>(13,864)</u>
TOTAL NET POSITION	<u>\$ 580,601</u>	<u>\$ 619,127</u>	<u>\$ (38,526)</u>

# Twentynine Palms Public Cemetery District

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

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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 48% 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 37% of total net assets. Unrestricted net position represents 15% 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 \$580,601 at the close of this fiscal year. The most significant portion of the District's net assets is its cash and investments balance (\$292,219). A significant portion 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.

	<u>Governmental Activities</u>		
	<u>2017</u>	<u>2016</u>	<u>Change</u>
<b>Program revenues</b>	\$ 28,558	\$ 21,860	\$ 6,698
<b>General revenues</b>	<u>204,963</u>	<u>203,737</u>	<u>\$ 1,226</u>
Total revenues	233,521	225,597	7,924
<b>Expenses</b>			
Salaries and benefits	188,978	187,611	1,367
Services and supplies	48,102	49,891	(1,789)
Utilities	7,788	10,809	(3,021)
Professional services	10,475	9,231	1,244
Other expense	-	-	-
Depreciation	<u>16,705</u>	<u>17,605</u>	<u>(900)</u>
Total expenses	<u>272,048</u>	<u>275,147</u>	<u>(3,099)</u>
CHANGE IN NET POSITION	(38,527)	(49,550)	11,023
<b>Net position</b>			
Beginning of year	<u>619,127</u>	<u>668,677</u>	<u>(49,550)</u>
End of year	<u>\$ 580,600</u>	<u>\$ 619,127</u>	<u>\$ (38,527)</u>

# **Twentynine Palms Public Cemetery District**

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

June 30, 2017

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The District's net position decreased overall by \$38,527 during the 2016-2017 fiscal year.

### **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, 2017, the District reported an ending fund balance of \$70,070, a decrease of \$32,437 from the prior year.

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

#### **Capital Assets**

The District's investment in capital assets for its governmental activities, as of June 30, 2017, amounts to \$280,576 (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.

### **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, 2017

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	<b>Governmental Activities</b>
<b>Assets</b>	
<b>Current assets</b>	
Cash and cash equivalents	\$ 161,933
Investments	130,284
Interest receivable	464
Taxes receivable	1,793
Inventory	2,827
Prepaid expenditures	<u>5,241</u>
 Total current assets	 302,542
 <b>Noncurrent assets</b>	
Capital assets	
Land	23,797
Structures and improvements	546,541
Equipment and vehicles	110,112
Less accumulated depreciation	<u>(399,874)</u>
 Total noncurrent assets	 <u>280,576</u>
 TOTAL ASSETS	 <u><u>\$ 583,118</u></u>

See the accompanying notes and auditors' report

# Twentynine Palms Public Cemetery District

## STATEMENT OF NET POSITION

June 30, 2017

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### Liabilities and Net Position

#### Noncurrent liabilities

Compensated absences	<u>2,517</u>
Total noncurrent liabilities	<u>2,517</u>

Total liabilities	2,517
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#### Net position

Invested in capital assets, net of depreciation	280,576
Restricted	212,812
Unrestricted	<u>87,213</u>
Total net position	<u>580,601</u>

TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 583,118</u></u>
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See the accompanying notes and auditors' report

# Twentynine Palms Public Cemetery District

STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2017

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	<b>Governmental Activities</b>
<b>Program expenses</b>	
Salaries and benefits	\$ 188,978
Services and supplies	48,102
Utilities	7,788
Professional services	10,475
Depreciation	<u>16,705</u>
Total program expenses	272,048
<b>Program revenues</b>	
Charges for services	<u>28,558</u>
Total program revenues	<u>28,558</u>
Net program revenues (expenses)	(243,490)
<b>General revenues (expenses)</b>	
Property taxes	186,354
Other taxes	1,520
Interest and investment income	3,144
Other income	2,903
Gain (loss) on value of investment	(882)
Transfers	<u>11,924</u>
Total non-operating revenues (expenses)	<u>204,963</u>
DECREASE IN NET POSITION	(38,527)
<b>Net position</b>	
Beginning, July 1, 2016	<u>619,128</u>
Ending, June 30, 2017	<u><u>\$ 580,601</u></u>

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, 2017

	General (MAV)	Permanent Fund Endowment Care (MBA)	Total Governmental Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 60,043	\$ 101,890	\$ 161,933
Investments	-	130,284	130,284
Interest receivable	167	297	464
Taxes receivable	1,792	-	1,792
Inventory	2,827	-	2,827
Prepaid expenditures	5,241	-	5,241
	<u>\$ 70,070</u>	<u>\$ 232,471</u>	<u>\$ 302,541</u>
<b>Fund balances</b>			
Reserved			
Endowment principal - nonexpendable	\$ -	\$ 212,812	\$ 212,812
Unreserved	<u>70,070</u>	<u>19,659</u>	<u>89,729</u>
Total fund balances	<u>70,070</u>	<u>232,471</u>	<u>302,541</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 70,070</u>	<u>\$ 232,471</u>	<u>\$ 302,541</u>

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, 2017

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Fund balance - governmental funds \$ 302,541

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

Cost of capital assets	\$ 680,450	
Accumulated depreciation	<u>(399,874)</u>	
		280,576

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>(2,516)</u>
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TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES \$ 580,601

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, 2017

	General (MAV)	Endowment Care (MBA)	Total Governmental Funds
<b>Revenues</b>			
Charges for services	\$ 23,464	\$ 5,094	\$ 28,558
Property taxes	186,353	-	186,353
Other taxes	1,520	-	1,520
Interest and investment income	435	2,709	3,144
Other income	2,903	-	2,903
<b>Total revenues</b>	<b>214,675</b>	<b>6,921</b>	<b>221,596</b>
<b>Expenditures</b>			
Salaries and employee benefits	188,507	-	188,507
Services and supplies	51,733	-	51,733
Utilities	7,788	-	7,788
Professional services	10,475	-	10,475
Capital outlay	533	-	533
<b>Total expenditures</b>	<b>259,036</b>	<b>-</b>	<b>259,036</b>
Excess of revenues over/under expenditures	(44,361)	6,921	(37,440)
<b>Other financing sources</b>			
Transfers in	11,924	-	11,924
<b>Total other financing sources and uses</b>	<b>11,924</b>	<b>-</b>	<b>11,924</b>
<b>NET CHANGES IN FUND BALANCE</b>	<b>(32,437)</b>	<b>6,921</b>	<b>(25,516)</b>
<b>Fund Balances</b>			
Beginning, July 1, 2016	102,507	225,550	328,057
Ending, June 30, 2017	\$ 70,070	\$ 232,471	\$ 302,541

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, 2017

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Total net changes in fund balances - governmental funds \$ (25,516)

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.

Expenditures for capital assets	4,164
Less: current year depreciation	(16,705)

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	<u>(470)</u>
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CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES	<u>\$ (38,527)</u>
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See the accompanying notes and auditors' report

# Twentynine Palms Public Cemetery District

FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET POSITION  
June 30, 2017

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	Private-Purpose Trust Fund
	Pre-Need Burial (MAY)
	<u>                    </u>
<b>Assets</b>	
Cash and cash equivalents	\$ 214,038
Accounts receivable	<u>14,251</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 228,905</u></u>
Total liabilities	-
<b>Net Position</b>	
Restricted	<u>\$ 228,905</u>
Total net position	<u>228,905</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u><u>\$ 228,905</u></u>

See the accompanying notes and auditors' report

# Twentynine Palms Public Cemetery District

FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
June 30, 2017

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	Private-Purpose Trust Fund
	Pre-Need Burial (MAY)
	<hr/>
<b>Additions</b>	
Contributions	\$ 21,812
Investment Earnings - Interest	<hr/> 1,417
Total Additions	23,229
<b>Deductions</b>	
Transfers Out	<hr/> 11,924
Total Deductions	<hr/> 11,924
Changes in Net Position	11,305
Net Position - Beginning	<hr/> 217,600
Net Position - Ending	<hr/> <hr/> \$ 228,905

See the accompanying notes and auditors' report

# Twentynine Palms Public Cemetery District

## NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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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, 2017, 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, 2017

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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, 2017

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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 \$2,517 at June 30, 2017.

### 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, 2017

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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 no related debt outstanding as of June 30, 2017. 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 \$212,812 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.

# Twentynine Palms Public Cemetery District

## NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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### NOTE 2 – OUTSIDE INVESTMENTS

A portion of the Endowment Care Fund is invested with an approved broker/dealer, per the District's Investment Policy. As of June 30, 2017, the fair value of the investments in the Endowment Care Fund was \$130,284 consisting of the following:

<u>Investment Type</u>	<u>Fair Value</u>
Cash and Money Fund	\$ 88,729
Federal Agencies	<u>41,555</u>
	<u>\$ 130,284</u>

### 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, 2017, 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	\$ 88,729	N/A	100%	None
Federal Agencies	<u>41,555</u>	N/A	100%	None
Total Investments	<u>\$ 130,284</u>			



# Twentynine Palms Public Cemetery District

## NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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### 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, 2017, the following issuers represent more than five percent of the District's investments:

<u>Issuer</u>	<u>Fair Value</u>	<u>% of Portfolio</u>
Goldman Sachs Bank CD	\$ 9,996	7.67%
Citibank CD	\$ 8,049	6.18%
GE Capital CD	\$ 10,121	7.77%
GE Money Bank CD	\$ 8,353	6.41%

### 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, 2016, the District is in compliance with the policy.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1 (and Cash)</u>	<u>1-5</u>	<u>5-10</u>	<u>More than 10</u>
Cash and Money Fund	\$ 88,729	\$ 88,729	\$ -	\$ -	\$ -
Federal Agencies	41,555	-	41,555	-	-
Total	<u>\$130,284</u>	<u>\$ 88,729</u>	<u>\$ 41,555</u>	<u>\$ -</u>	<u>\$ -</u>

### 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, 2016 are recorded in the District's name, custodial credit risk for investments does not exist.

# Twentynine Palms Public Cemetery District

NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

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## NOTE 3 – POOLED CASH AND INVESTMENTS

Cash on hand and on deposit, as of June 30, 2017, consisted of the following:

	<u>Governmental Funds</u>		<u>Fiduciary Fund</u>
	<u>General (MAV)</u>	<u>Permanent Fund Endowment Care (MBA)</u>	<u>Private-Purpose Trust Fund Pre-Need Burial (MAY)</u>
Cash in County Treasury	\$ 41,086	\$ 101,890	\$ 214,038
Cash on Hand and in Banks	<u>18,957</u>	<u>-</u>	<u>-</u>
Total Cash	<u>\$ 60,043</u>	<u>\$ 101,890</u>	<u>\$ 214,038</u>

### 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.

# Twentynine Palms Public Cemetery District

## NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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### **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.

### **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 2015 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, 2017, are comprised of the following:

Permanent Fund – Endowment Care – Restricted cash and investments of \$212,812 represents principal (corpus) that is legally restricted for perpetual maintenance of the District.

# Twentynine Palms Public Cemetery District

NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

## NOTE 5 – CAPITAL ASSETS

Capital asset activity, for the year ended June 30, 2017 is as follows:

<b>GOVERNMENTAL ACTIVITIES</b>	Balance June 30, 2016	Additions	Retirements	Balance June 30, 2017
<b>Capital assets not being depreciated:</b>				
Land	\$ 23,797	\$ -	\$ -	\$ 23,797
<b>Capital assets, being depreciated:</b>				
Structures and improvements	546,008	533	-	546,541
Vehicles	86,996	-	-	86,996
Equipment	19,485	3,631	-	23,116
Total capital assets being depreciated	652,489	4,164		656,653
<b>Less accumulated depreciation for:</b>				
Structure and improvements	290,455	13,315	-	303,770
Vehicles	76,958	2,142	-	79,100
Equipment	15,756	1,248	-	17,004
Total accumulated depreciation	383,169	16,705	-	399,874
Capital assets, being depreciated, net	269,320	(12,541)	-	256,779
Total net capital assets	<u>\$ 293,117</u>	<u>\$ (12,541)</u>	<u>\$ -</u>	<u>\$ 280,576</u>

Depreciation expense of \$16,705 was charged for the year ended June 30, 2017.

## 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, 2017:

Balance, June 30, 2016	\$ 2,047
Additions (Deletions), Net	<u>470</u>
Balance, June 30, 2017	<u>\$ 2,517</u>

# Twentynine Palms Public Cemetery District

## NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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### 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, 2017, 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	\$ 11,924
Pre-Need MAY	From Pre-Need Fund to General Fund to pay for expenses	<u>(11,924)</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 Special Districts Risk Management Authority for general liability, property damage, employee dishonesty, automobile liability and 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, 2017 through November 22, 2017, 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, 2017

### GENERAL FUND (MAV)

	<u>Budget</u>		<u>Actual Amount</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>GAAP Basis</u>	<u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
<b>Budgetary fund balance</b> , June 30, 2016	\$ 102,507	\$ 102,507	\$ 102,507	\$ -
<b>Resources (inflows):</b>				
Property taxes	199,900	198,515	186,353	(12,162)
Other taxes	-	-	1,520	1,520
State aid-homeowners exemption	1,025	1,025	-	(1,025)
Interest	550	525	435	(90)
Transfers in	15,687	28,800	11,924	(16,876)
Charges for services	18,500	15,000	23,464	8,464
Other revenue	8,500	6,135	2,903	(3,232)
Amounts available for appropriations	244,162	250,000	226,599	(23,401)
<b>Charges to appropriations (outflows):</b>				
Salaries and benefits	194,298	179,780	188,507	(8,727)
Services and supplies	32,708	44,420	51,733	(7,313)
Utilities	9,156	12,000	7,788	4,212
Professional services	7,000	9,000	10,475	(1,475)
Capital outlay	1,000	1,800	533	1,267
General reserve	-	1,000	-	1,000
Appropriation and contingencies	-	2,000	-	2,000
Total charges to appropriations	244,162	250,000	259,036	(9,036)
<b>Budgetary fund balance</b> , June 30, 2017	<u>\$ 102,507</u>	<u>\$ 102,507</u>	<u>\$ 70,070</u>	<u>\$ (14,365)</u>

See the accompanying note to the required supplementary information

# Twentynine Palms Public Cemetery District

## NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2017

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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.