

**PUBLIC CEMETERY DISTRICT NO. 1
OF KERN COUNTY**

FINANCIAL STATEMENTS

For The Year Ending June 30, 2018

Public Cemetery District No. 1 of Kern County

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June 30, 2018

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Albert & Associates, LLP

Certified Public Accountants

Independent Auditor's Report

The Board of Trustees of the Public Cemetery
District No. 1 of Kern County, California:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Public Cemetery District No. 1 of Kern County, California, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Public Cemetery District No. 1 of Kern County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable 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 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Public Cemetery District No. 1 of Kern County, California, as of June 30, 2018, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, retirement plan schedules and budgetary comparison information on pages 3 through 8 and 34 through 35 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 20, 2018, on our consideration of Public Cemetery District No. 1 of Kern County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Public Cemetery District No. 1 of Kern County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Public Cemetery District No. 1 of Kern County's internal control over financial reporting and compliance.

Albert & Associates, LLP

Wasco, California
September 20, 2018

KERN COUNTY CEMETERY DISTRICT NO.1

Shafter and Wasco Memorial Park

Management's Discussion and Analysis

June 30, 2018

This document is presented by administrative staff of the Kern County Cemetery District No.1 (District) as a narrative including a business overview and analysis of the financial activities for the fiscal year starting July 1, 2017 through June 30, 2018. It is the intent that this analysis be included and used in conjunction with the District's annual financial audit for the same fiscal year.

Background

The private cemetery was starting at this location on December 29, 1923 with the burial of a young resident from the Shafter community and five other burials moved in from the Rosedale area. By 1928 the owner of the cemetery was not willing to continue in business. The Public Cemetery District #1 of Kern County, otherwise known as the Kern County Cemetery District, was created by a vote of the people using the 1909 Enabling Act 546 known as "The Act to Provide for Public Cemetery Districts" and authorization from forming order 1928 of the Kern County Board of Supervisors on July 23, 1928 to take over the private cemetery for the communities of Shafter and Wasco.

The district is funded by a small property tax allocation and income from the burials of our public. A three-member Board of Trustees appointed by the Kern County Board of Supervisors on four-year staggered terms which oversee the financial, direction and policy aspects of the District. The Board hires a District Manager who then hires employees and implements the direction and policy of the board.

Current Year

This year the Kern County Cemetery District received \$486,378 in burial income which is a 14% increase from last year. The District also received \$813,100 in property tax which is a 2.5% increase from last year.

This year the Kern County Cemetery District had 251 burials that include both casketed and cremation burials. This is 18 burials more than the previous year of 233. The District had a 17% cremation rate as compared to 23% cremation the previous fiscal year.

The costs of operations increased by 3.6%. But, salaries and employee benefits increased 2.5% due to overtime for maintenance and services and CalPERS retirement changes in the Unfunded Actuarial Liability.

Fund Highlights

The assets of the District exceed its liabilities at the close of the fiscal year ending June 30, 2018 by \$2,956,981 as shown as net position in the current Statement of Activities report. Even though the net change in position has decreased \$26,705 the District in a very good financial position.

The District has four funds with the County of Kern. The fund balances show the District's balance for the General Fund, known at the county as our M&O fund, has a \$988,226 balance as of June 30, 2018. This is our general operating fund in which burials, property tax, interest and miscellaneous income is deposited each month.

The Endowment Care Fund holds the Endowment Care principle charged at the time a lot is sold, as well as the interest generated by the principle investment with the County. Currently we have a non-expendable reserve amount of \$1,420,283 and as of June 30, 2018, this interest has accumulated to an amount of \$158,381. As the non-expendable Endowment Care accumulates to a significant level, this amount will be invested at a higher rate of interest outside the county under the guidelines set forth with the District Investment Policy.

The Contract Fund holds the reserves to pay for the preneed burial contracts. As of June 30, 2018, it has a balance of \$1,324,978 with a deferred obligation of \$2,374,690 for total contracts to be rendered at the time of a burial. In 2012 an adjustment was made for the District contract obligation. The lot purchase amount is not considered a deferred obligation because lot ownership is taken at the time of purchase. The remaining obligation for services is \$1,317,118.

The difference illustrates the amount of the lot purchase adjustment, the interest accumulated and the payment for the deferred service allocation that the District will make when the services are rendered. At this time, the portion presently invested exceeds the deferred burial needs for all contracts. In the past, the District used this fund to augment and finance capital projects expenses when our revenue stream did not match our needs. The District is in process to create a Contingent Reserve Fund that will be used instead of borrowing from the Contracts deferred revenue fund

In December 2012, the District borrowed \$328,140 from our Contract Fund to pay off a CalPERS side fund obligation. This money is being paid back over a ten-year time frame. There is \$131,256 remaining on the balance of the obligation with four years remaining.

The Land Reserve fund has a balance of \$148,575 that was set aside to be used for the purchase and development of property. Overtime the District has purchased property and this fund will be set aside for large infrastructure or equipment needs.

Overview of the Audited Financial Statements

This managerial discussion and analysis is prepared by staff and intended to serve as an introduction to the District's basic financial statements. The basic financial statements are comprised of three components:

1. District-wide financial statements
2. Fund financial statements
3. Notes to the financial statements and other supplemental information. This report also contains other required and non-required supplementary information in addition to the basic financial statements themselves.

District-wide Financial Statements are designed to provide readers with a broad overview of District finances. The statements are shown in a presentation similar to a private sector business in an effort to demonstrate the scope of the District's resources.

The *Statement of Net Position* presents information on all District assets, including depreciation, minus the District liabilities; with the difference between the two reported as Net Position. Over time, the increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. By using this method, the revenues and expenses are reported in this statement for some items that will result in cash flows in the future fiscal periods.

Fund Financial Statements are the statements that support the District-wide 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, as other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

For accounting purposes, all of the District funds are considered to be governmental funds. These statements tell how governmental services were financed in the short term as well as what remains for future spending. Unlike the government wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources. Therefore, the governmental funds financial statements are followed by reconciliations that explain the differences governmental funds and government-wide financial statements.

Notes to Financial Statements provide additional information that is essential to a full understanding of the data provided in the District-wide and fund financial statements. The notes to the financial statements are available within the current financial audit.

Other Supplementary Information is added to the basic financial statements and accompanying notes; this report also presents supplementary information that enhances the usefulness of the District’s annual audit.

Financial Analysis

Net Position - Net position may serve over time as a useful indicator of the District’s financial position. As previously noted, during the current year, the District’s net position exceeded liabilities by \$2,983,686. The Districts capital assets reflect its investment in land, roads, buildings, equipment, and other infrastructure. The District uses these capital assets to provide the services to the public; therefore, these assets are not available for future spending. Although the District’s investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since most capital assets themselves cannot be used to liquidate these liabilities. Included is a condensed statement of the District’s total assets, net of liabilities (Net Position) for this fiscal year.

The next largest part of net position is the inclusion of our Contracts Fund. As noted earlier in this report, this encumbrance is a part of the District’s General Fund shows the \$1,326,725 as a deferred liability for future burial services.

The following abbreviated statement reflects the economic resources of the District as well as its economic obligations at the end of the current fiscal year ending June 30, 2017.

Net Position Statement

	<u>FY 2016-17</u>	<u>FY 2017-18</u>
Cash, receivables,	\$4,015,378	\$4,282,822
Capital (net of depreciation)	<u>\$1,015,956</u>	<u>\$1,012,248</u>
	\$5,031,334	\$5,295,070
Current Liabilities	\$43,707	\$45,477
Compensated Absences	\$90,456	\$90,977
Deferred Revenue	\$1,317,192	\$1,317,115
Net Pension Liability	<u>\$784,169</u>	<u>\$1,091,780</u>
	\$2,068,163	\$2,545,349
Capital Asset Investment	\$1,369,296	\$1,365,588
Restricted-Nonexpendable	\$1,365,503	\$1,420,283
Restricted-Expendable	\$152,170	\$158,381
Unrestricted	<u>\$96,717</u>	<u>\$12,729</u>
Total Net Position	\$2,983,686	\$2,983,686

Statement of Activities - The Statement of Activities shows the sources of the District's changes in net position as they arise through our burial operations. The Kern County Cemetery District is primarily a single function Special District, this statement has little to compare. Nevertheless, a condensed Statement of Activities showing FY 2017-2018 is shown in the following table:

Statement of Activities

<u>Government Activities</u>	<u>FY 2016-17</u>	<u>FY 2017-18</u>
Expenses		
Cemetery	\$1,123,257	\$1,434,767
less Charges for Services	<u>\$420,764</u>	<u>\$486,378</u>
Total Activities	<u>\$702,493</u>	<u>\$948,389</u>
Revenues		
Property Tax	\$793,024	\$813,100
Unrestricted Invest. Earning	\$45,276	\$51,804
Miscellaneous	\$1,271	\$2,000
Contributions to Endowment	<u>\$52,620</u>	<u>\$54,780</u>
Total General Rev. and Trans	<u>\$892,191</u>	<u>\$921,684</u>
Changes in Net Position	\$189,698	-\$26,705
Prior Period Adjustment	<u>\$0</u>	<u>\$0</u>
Net Position, prior year	<u>\$2,793,988</u>	<u>\$2,983,686</u>
Net Position, current year	<u>\$2,983,686</u>	<u>\$2,956,981</u>

Capital Assets

As of June 30, 2018, the District's investment in capital assets for its mandated activities was \$1,365,588. This investment in capital assets includes land, buildings, roads, improvements, equipment, and construction in progress.

This year we purchased two new backhoes to replace aging equipment, these were purchased from the revenue generated this year.

The 20-acre parcel of which 15 acres are in an almond orchard located at the Shafter Cemetery that is owned by the District has been removed. We have a new contract with the present lessee, Handel-Wilson Farms, which is a bare ground lease. We have waived the rent for three years to allow them to replant the orchard in almonds and get their first crop. We currently have 2.5 acres developed for burials and 2.5 acres set aside for our next expansion.

An additional 20 acres is located at the Wasco Cemetery that is leased as bare ground to Holtermann Farms. They own and maintain the almond trees and pay a bi-annual land payment as described in the contract. This land is being held for future burial space for the Wasco Memorial Park as will be needed. Additional information on the District's capital assets can be found within the audit.

Long-Term Debt

The District's long-term debt consists of accrued unused employee vacation and sick leave. This accrual has been incurred over time of which the District is obligated to pay to the employee upon retirement. With our

current employees, we are uncertain when any new retirements may occur. Another medium-term obligation is the internal borrowing of money to pay off the PERS side-fund for the District. This money was a ten-year appropriation from our contracts fund and is currently in its fourth year of payback. As a part of being a part of PERS we also have an Unfunded Actuarial Liability (UAL), in the past this was included in our bi-weekly payments to PERS. Now PERS has this UAL broken out and each participant funds their amount separately. The district has chosen to pay a portion of this UAL requirement each year with the knowledge that if PERS receives higher investment interest this requirement will be reduced.

Economic events that may financially impact the District

The District is dependent on burials and property tax within its boundaries to maintain and expand the scope of our existing programs. Therefore, the District is affected more by independent outside influences than any specific economic conditions that can be controlled. As California continues to see a limited recovery pace in this fiscal year, we are continuing to see an increase of property taxes. As oil prices continue to fluctuate we will see an ebb and flow of oil tax income and a related effect in tax liability as oil values are reviewed from previous years.

Over the years, the State of California has taken local property tax money to augment its budget. In the current year, the state continues to struggle with their inability to control spending on new programs. Potentially, the State has the authority to borrow funds from Special Districts to balance their budget. This has been done in the past and the State is required to pay it back over a specific time frame.

Water is critical to our needs and expensive. Due to potential drought conditions, the Wasco Memorial Park is using any surface water that may be available. This is taking pressure off of our deep well. The Shafter Memorial Park uses the Maxicom irrigation system to control the amount of water being used at that location. We are able to irrigate at night when pump costs do not impact the critical energy days that PG and E impose.

We have seen our burial numbers fluctuate over the past five years. We can look at the trends for the last five years we expect to see an average of about 237 burials this next year, which is slightly higher than the 235 burials that were budgeted. The cremation burial aspect of our business is changing and we continue to look at maintaining and improving this opportunity at each District location. We have added more cremation options for families to choose from at both cemeteries. Cremation burials are on the rise as a whole nationwide; particularly on the West Coast, and the District has seen a 20% cremation rate for the last three years. As cremations continue to rise, it is probable that our total burials will remain relatively static. On the other hand, the increase of cremation burials allows for less manpower in completing our current service demand.

The development of the Federal Veterans Cemetery in Bakersfield has also impacted the burial of veterans in our cemetery and will continue to be a factor insofar as veterans and their spouse are buried free in the Bakersfield National Cemetery.

This past fiscal year we were able to operate without any transfers from our funds to maintain the budget. We are operating solely on the money that we receive from burials, property tax income and income generated from the land leases in two parcels of contiguous land that we own. It is not expected to need this property for years to come.

Reserve Funds

A look at the District reserve funds is as follows:

Endowment Care Fund: This is money required by law to be collected at the sale of each burial interment right as stated in the California Health and Safety Code §8738 et.al. The principle from this money is restricted to investment only, but, as a policy of the District and allowed by law; the accrued interest is available to be used to keep the cemetery maintained now and in the future. The principle amount collected is invested with the County of Kern. This principle is kept

separate from the interest which is invested in long term investments outside the county as allowed by district policy and state law.

Contract Sales Fund: This fund is a pooling of the pre-need sales for services that the District is obligated to honor at the time of burial. In each annual budget, the transfer is shown that moves money from the contract sales fund to the general operating fund for the contracts for services used the previous year. This transfer is made at the prevailing burial rate using accrued interest to make up the difference. The fund and its excess interest can be used for the general fund for cemetery operations as long as the District retains the necessary fund balance to pay for the burials that occur during the next fiscal year. Both interest and principle is invested with the County of Kern in the Contract Sales Fund.

Project Reserve Fund: This is a reserve fund for future development of infrastructure. 20% of the burial interment right price at the time of sale is collected in this fund for future use.

Contacting the District's Financial Management

This financial management report as required by law is designed to provide any interested parties with a general overview of the District's finances and to demonstrate its accountability for money received and spent. This report is intended to be objective using the accounting and policy information available at the time. It is not intended to be subjective by nature, but information included may be construed as such. If you have any questions about this report or wish to request additional financial information, please write the Kern County Cemetery District, PO Box 354, Shafter, CA 93263.

Public Cemetery District No. 1 of Kern County

STATEMENT OF NET POSITION

June 30, 2018

	<u>Governmental Activities</u>
Assets:	
Cash and Investments	\$ 3,606,557
Receivables, net	92,443
Inventory	230,482
Capital Assets, not being depreciated	353,340
Depreciable Capital Assets, net of accumulated depreciation	<u>1,012,248</u>
Total Assets	<u>5,295,070</u>
Deferred Outflows of Resources:	
Deferred Pensions	<u>324,823</u>
Total Deferred Outflows of Resources	<u>324,823</u>
Liabilities:	
Accounts Payable	22,624
Accrued Wages	22,853
Accrued Compensated Absences	90,977
Net Pension Liability	1,091,780
Unearned Revenue	<u>1,317,115</u>
Total Liabilities	<u>2,545,349</u>
Deferred Inflows of Resources:	
Deferred Pensions	<u>117,563</u>
Total Deferred Inflows of Resources	<u>117,563</u>
Net Position:	
Net Invested in Capital Assets	1,365,588
Restricted for Endowment Care - Nonexpendable	1,420,283
Restricted for Endowment Care - Expendable	158,381
Unrestricted	<u>12,729</u>
Net Position	<u><u>\$ 2,956,981</u></u>

The accompanying notes are an integral part of these financial statements.

Public Cemetery District No. 1 of Kern County

STATEMENT OF ACTIVITIES

Year ended June 30, 2018

<u>Functions / Programs</u>	Program Revenues				Net (Expenses)
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Contributions and Grants</u>	<u>Capital Contributions and Grants</u>	<u>Revenues and Changes in Net Position Governmental Activities</u>	
Governmental Activities:					
Cemetery	\$ 1,434,767	\$ 486,378	\$ -	\$ -	\$ (948,389)
Total Governmental Activities	\$ 1,434,767	\$ 486,378	\$ -	\$ -	\$ (948,389)
General Revenues:					
Property Tax					813,100
Unrestricted investment earnings					51,804
Miscellaneous					2,000
Contributions to Permanent Funds					54,780
Total General Revenues and Contributions					921,684
Changes in Net Position					(26,705)
Net Position, Beginning					2,983,686
Net Position, Ending					\$ 2,956,981

The accompanying notes are an integral part of these financial statements.

Public Cemetery District No. 1 of Kern County

BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2018

	General Fund	Permanent Fund	Total Governmental
Assets:			
Cash and Investments	\$ 2,032,733	\$ 1,573,824	\$ 3,606,557
Receivables, net	92,443	-	92,443
Due From Other Funds	-	4,840	4,840
Inventories	230,482	-	230,482
Total Assets	\$ 2,355,658	\$ 1,578,664	\$ 3,934,322
Liabilities:			
Accounts Payable	\$ 22,624	\$ -	\$ 22,624
Accrued Wages	22,853	-	22,853
Due To Other Funds	4,840	-	4,840
Unearned Revenue	1,317,115	-	1,317,115
Total Liabilities	1,367,432	-	1,367,432
Fund Balances:			
Nonspendable:			
Inventories	230,482	-	230,482
Cemetery Endowment Care	-	1,420,283	1,420,283
Restricted:			
Cemetery Maintenance	-	158,381	158,381
Unassigned	757,744	-	757,744
Total Fund Balance	988,226	1,578,664	2,566,890
Total Liabilities & Fund Balance	\$ 2,355,658	\$ 1,578,664	\$ 3,934,322

The accompanying notes are an integral part of these financial statements.

Public Cemetery District No. 1 of Kern County
RECONCILIATION OF THE FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
NET POSITION OF GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION
June 30, 2018

Fund balances of governmental funds \$ 2,566,890

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

Capital assets used in governmental activities are not current financial resources, and therefore, are not reported in the Governmental Funds Balance Sheet. However, the Statement of Net Position includes those capital assets among the assets of the District as a whole.

Beginning Balance, net of depreciation	\$ 1,369,296	
Current Year Additions	73,973	
Current Year Deletions	-	
Current Year Depreciation	<u>(77,681)</u>	
Ending Balance, net of depreciation		1,365,588

Deferred outflows of resources for the pension plan are reported in the Statement of Net Position. 324,823

Deferred inflows of resources for the pension plan are reported in the Statement of Net Position. (117,563)

Long-term liabilities are not due and payable in the current period, and therefore, are not reported as liabilities in the Governmental Funds Balance Sheet. All liabilities, both current and long-term, are reported in the Statement of Net Position.

Net Pension Liability	(1,091,780)	
Compensated Absences	<u>(90,977)</u>	
Total Long-Term Liabilities		<u>(1,182,757)</u>

Net position of governmental activities \$ 2,956,981

Public Cemetery District No. 1 of Kern County

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (DEFICITS) GOVERNMENTAL FUNDS Year ended June 30, 2018

	General Fund	Permanent Fund	Total Governmental
Revenues:			
Property Taxes	\$ 813,100	\$ -	\$ 813,100
Burials	486,378	54,780	541,158
Use of Money or Property	45,593	6,211	51,804
Miscellaneous	2,000	-	2,000
	1,347,071	60,991	1,408,062
Total Revenues			
Expenditures:			
Current:			
Salaries and Employee Benefits	760,361	-	760,361
Services and Supplies	315,558	-	315,558
Capital Outlay:			
General Capital Outlay	71,392	-	71,392
	1,147,311	-	1,147,311
Total Expenditures			
Revenues Over (Under) Expenditures	199,760	60,991	260,751
Other Financing Sources (Uses):			
Operating Transfers In (Out)	-	-	-
	-	-	-
Total Other Financing Sources (Uses)			
Net Change in Fund Balances	199,760	60,991	260,751
Fund Balance - Beginning	788,466	1,517,673	2,306,139
Fund Balance - Ending	\$ 988,226	\$ 1,578,664	\$ 2,566,890

The accompanying notes are an integral part of these financial statements.

Public Cemetery District No. 1 of Kern County
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year ended June 30, 2018

Net change in fund balance - total governmental funds	\$	260,751
Amounts reported for governmental activities in the statement of activities are different because:		
Government funds report capital outlay as expenditures. However, in the Statement of Activities, the costs of those assets is allocated over their estimated useful lives, and reported as depreciation expense. This is the amount by which capital expenditures (\$73,973) were exceeded by depreciation (\$77,681) in the current period.		(3,708)
The change in accrued net pension liability does not require the use of current financial resources and therefore is not reported as an expenditure in government funds.		(283,227)
Long-term compensated absence expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in government funds.		<u>(521)</u>
Change in net position of governmental activities	\$	<u>(26,705)</u>

The accompanying notes are an integral part of these financial statements.

Public Cemetery District No. 1 of Kern County

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2018

Note 1 – Summary of Significant Accounting Policies

The accompanying financial statements of the Public Cemetery District No. 1 of Kern County (the "District") have been prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The following summary of the District's more significant accounting policies is presented to assist the reader in interpreting the basic financial statements and other data in this report. These policies should be viewed as an integral part of the accompanying basic financial statements.

A - Reporting Entity

The District was established on July 23, 1928 pursuant to Part 4 of division 8 of the Health and Safety Code. The District is governed by a board of trustees consisting of three members appointed by the County Board of Supervisors for a term of four years. The District operates and maintains two cemeteries located in Shafter and Wasco areas of Kern County. Use of the cemeteries is limited to burial of residents of the District or for a family of a resident who has purchased a burial lot, or such nonresident of the District as may become eligible for burial in the District cemetery under the provisions of Sections 8921.2 of the Health and Safety Code.

The District has defined its reporting entity in accordance with accounting principles generally accepted in the United States of America which provide guidance for determining which governmental activities, organizations, and functions should be included in the reporting entity. The Basic Financial Statements present information on the activities of the reporting entity, including all of the fund types and account groups of the District.

B - Basis of Presentation

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect expenses have been allocated to major functions in order to present a more accurate and complete picture of the cost of services. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Public Cemetery District No. 1 of Kern County

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2018

Note 1 – Summary of Significant Accounting Policies, (continued)

Fund Financial Statements

The accounting system of the District is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operation fund of the District or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.
- c. The government has determined that a fund is important to the financial statement user.

The major funds are as follows:

Governmental Funds

The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The revenues of the General Fund consist mostly of property tax and user fees.

The Permanent Fund is used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the District's programs. The Permanent Fund consists of the endowment funds received for the ongoing support and maintenance of the grounds and facilities.

Proprietary Funds

None

Fiduciary Fund

None

Public Cemetery District No. 1 of Kern County

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2018

Note 1 – Summary of Significant Accounting Policies, (continued)

C - Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus. The accounting objectives of the economic measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

Basis of Accounting

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

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available”. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Revenues which are susceptible to accrual include property taxes and special assessments that are levied for and due for the fiscal year and collected within 60 days after year-end. Charges for services and miscellaneous revenues are recorded as governmental fund type revenues when received in cash because they are not generally measurable until actually received. Grant funds and reimbursements of expenses under contractual agreements are reported in governmental fund types and are recorded as a receivable when earned rather than when susceptible to accrual. Generally, this occurs when authorized expenditures are made under the grant program or contractual agreement. Expenditures are recognized when the fund liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due.

Public Cemetery District No. 1 of Kern County

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2018

Note 1 – Summary of Significant Accounting Policies, (continued)

D - Assets, Liabilities, Net Position or Equity, and Other Financial Statement Items

Cash and Investments

Cash balances of each of the District's funds are held in separate accounts. California Government Code authorizes the District to invest in the following types of investments:

<u>Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Specified % Of Portfolio</u>	<u>Minimum Quality Requirements</u>
Local Agency Bonds	5 Years	None	None
U.S. Treasury Obligations	5 Years	None	None
State Obligations	5 Years	None	None
CA Local Agency Obligations	5 Years	None	None
U.S. Agency Obligations	5 Years	None	None
Bankers' Acceptance	180 Days	40%	None
Commercial Paper - Select Agencies	270 Days	25%	A-1
Commercial Paper - Other Agencies	270 Days	40%	A-1
Negotiable Certificates of Deposit	5 Years	30%	None
CD Placement Service	5 Years	30%	None
Repurchase Agreements	1 Year	None	None
Reverse Repurchase Agreements	92 Days	20%	None
Medium-Term Notes	5 Years	30%	A
Mutual and Money Market Fund	N/A	20%	Multiple
Collateralized Bank Deposits	5 Years	None	None
Mortgage Pass-Through Securities	5 Years	20%	AA
Bank/Time Deposits	5 Years	None	None
County Pooled Investment Funds	N/A	None	None
Joint Powers Authority Pool	N/A	None	Multiple
Local Agency Investment Fund (LAIF)	N/A	None	None

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as interfund receivables/interfund payables (i.e., the current portion of interfund loans) or advances to/from other funds (the noncurrent portion) of interfund loans. All other outstanding balances between funds are reported as interfund receivables/interfund payables.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and tax receivables are shown net of an allowance for uncollectible accounts and estimated refunds due.

Public Cemetery District No. 1 of Kern County

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2018

Note 1 – Summary of Significant Accounting Policies, (continued)

Property Taxes

Secured property taxes are levied during September of each year for the fiscal year beginning with the preceding July 1 and ending the following June 30. They become a lien on real property on January 1 preceding the fiscal year for which taxes are levied. The Kern County Assessor establishes the value of the property on January 1. Taxes are payable in two installments on November 1 and February 1, and are delinquent if not paid by December 10 and April 10, respectively. In 1978, a state constitutional amendment (Proposition 13) provided that the tax rate be limited to 1% of market value, levied only by the County and shared with all other jurisdictions. Such limitation on the rate may only be increased through voter approval. The County collects property taxes and distributes them to taxing jurisdictions on the basis of the taxing jurisdiction's assessed valuations and on the tax rate for voter-approved debt.

Inventories

Inventories are valued at cost. Cost is determined using the first-in, first-out method. Inventories are capitalized under the consumption method, whereby expenditures are capitalized as inventory until used. Reported inventories in governmental funds are equally offset by a fund balance reserve, which indicates that they do not constitute "available expendable resources" even though they are a component of net current position.

Capital Assets and Depreciation

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, irrigation and drainage systems and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial cost of more than \$1,000 (\$5,000 for infrastructure) and an estimated life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property, plant and equipment of the primary government as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Improvements other than buildings	20
Machinery and Equipment	5 - 8
Infrastructure	20 - 75

Public Cemetery District No. 1 of Kern County

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2018

Note 1 – Summary of Significant Accounting Policies, (continued)

Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay and one-half of sick pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Pensions

For the year ended June 30, 2015, the District implemented GASB Statements No. 68 "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27" and No. 71 "Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68".

In government-wide financial statements, retirement plans (pensions) are required to be recognized and disclosed using the accrual basis of accounting, regardless of the amount recognized as pension expenditures on the governmental fund statements, which use the modified accrual basis of accounting.

In general, the District recognizes a net pension liability that represents the District's proportionate share of the excess of the total pension liability over the fiduciary net position of the pension reflected in the actuarial reports provided by CalPERS. The net pension liability is measured as of the District's prior fiscal year-end. Changes in the net pension liability are recorded in the period incurred as pension expense or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change. The change in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources (that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience) are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits as of the beginning of the measurement period and are recorded as a component of pension expense.

For purposes of measuring the net pension liability and deferred outflows/inflows or resources relating to pension and pension expense, information about the fiduciary net position of the District's pension plan with CalPERS and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Projected earnings on pension investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period.

Public Cemetery District No. 1 of Kern County

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2018

Note 1 – Summary of Significant Accounting Policies, (continued)

Net Position

The government-wide financial statements utilize a net position presentation. Net position is categorized as follows:

Net Invested In Capital Assets – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

Restricted Net Position – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. The government-wide statement of net position reports restricted net position of \$1,578,664 due to the external laws that restrict the use of cemetery endowment funds.

Unrestricted Net Position – This category represents net position of the District, not restricted for any project or other purpose.

When both restricted and unrestricted net position are available, it is the District's policy to use restricted net position first, and then unrestricted net position as they are needed.

Fund Balance – Government Funds

Fund balances of the governmental funds are presented in the financial statements based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. Fund balances are classified as follows:

Nonspendable – Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

Committed – Amounts that can be used only for specific purposes determined by a formal action by Board of Director resolution. This includes the budget reserve account.

Assigned – Amounts the District intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Amounts may be assigned by the District Manager.

Unassigned – All other spendable amounts.

When expenditures are incurred for purposes for which all restricted, committed, assigned, and unassigned fund balances are available, the District's policy is to apply in the following order, except for instances wherein an ordinance specifies the fund balance: Restricted, Committed, Assigned, and Unassigned.

The District does not have a formal minimum fund balance requirements.

Public Cemetery District No. 1 of Kern County

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2018

Note 1 – Summary of Significant Accounting Policies, (continued)

Appropriated Budget and Budgetary Control

The Board of Trustees is required to adopt an annual budget resolution by July 1 of each fiscal year for the General Fund. The budget is presented for reporting purposes on a budgetary basis consistent with accounting principles generally accepted in the United States of America.

The level of appropriated budgetary control is at the functional departmental level. The District Manager may authorize transfers of appropriations within a departmental function. Expenditures may not legally exceed total departmental appropriations. Supplemental appropriations during the year must be approved by the Board of Trustees by a majority vote. Unexpended or unencumbered appropriations lapse at the end of the fiscal year. Encumbered appropriations are reappropriated in the ensuing year's budget.

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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Deferred Compensation Plan

The District offers its employees a deferred compensation plan created in accordance with the Internal Revenue Code Section 457. The plan, available to all District employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The assets, all property and rights purchased with such amounts and all income attributable to such amounts, are held in trust for the exclusive benefit of the participants and the beneficiaries. The plan is administered by independent plan administrators through administrative service agreements. The District does not have fiduciary responsibility for the plan assets.

Note 2 – Cash and Investments

The following is a summary of the District's cash, cash equivalents, and investments with fiscal agents at June 30, 2018:

Cash on Hand	\$	650
Demand Deposits		175,383
Nonnegotiable CDs		226,683
Investments		<u>3,203,841</u>
Total	\$	<u>3,606,557</u>

Public Cemetery District No. 1 of Kern County

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2018

Note 2 – Cash and Investments, (continued)

Deposits:

Custodial credit risk – In the case of deposits, this is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District has no deposit policy for custodial credit risk. At June 30, 2018, the District has \$152,066 exposed to custodial credit risk as the demand deposit and nonnegotiable cd balance exceeded the FDIC insurance. At other times throughout the year these balances may exceed the federally insured limit.

Investments:

The District had the following investments at June 30, 2018:

	Fair Value		Maturities
Cash held by County of Kern	\$ 2,547,282		
Wells Fargo Money Market Account	38,786		
Debt Investments:			
Corporate Bonds	245,245		2-5 years
Government Bonds	191,387		3-9 years
Government Backed Debt Securities (GNMA & FNMA)	10,453		5-21 years
Mutual Funds	170,688		n/a
	\$ 3,203,841		

Interest rate risk – The District’s maturities in debt investments range from two to twenty-four years as identified above. The District’s policy for interest rate risk is to accept this risk. The District may attempt to mitigate this risk by laddering the investment portfolio over a series of years.

Credit risk – The District is required to disclose the credit quality ratings of investments in debt securities as issued by nationally recognized statistical rating organizations (NRSROs). At June 30, 2018, the District’s investments in Corporate Bonds were rated A-, and BBB+ by Standard and Poor’s. The investment in Government Bonds was rated AA+ by Standard and Poor’s. Ratings for investments in Government Backed Debt Securities are not required to be disclosed since they are backed by the Federal government. The rating for the Wells Fargo Money Market Account was unavailable at June 30, 2018. The District’s credit risk policy requires investments in debt securities bear a Standard and Poor’s financial rating of AAA at the time of the investment.

Concentration of credit risk – At June 30, 2018 more than 5% of the District’s investments were held by the County of Kern and Wells Fargo. The District’s policy is to accept concentrations of credit risk as long as the District’s primary investment objectives of capital preservation and liquidity are maintained.

Custodial credit risk – For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2018 all debt investments are held by the investment’s counterparty, not in the District’s name. The District’s policy is to accept custodial credit risk to the extent there is Securities Investor Protection Coverage (SIPC) and excess SIPC available. Securities purchased that exceed available SIPC shall be transferred to the Districts custodian.

Public Cemetery District No. 1 of Kern County

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2018

Note 3 – Receivables

Receivables at June 30, 2018 consist of the following:

	General	Permanent	Total Governmental
Governmental Activities:			
Contract Sales Receivable	\$ 92,443	\$ -	\$ 92,443
Taxes Receivable	-	-	-
Less Allowance for Doubtful Accounts	-	-	-
Total	\$ 92,443	\$ -	\$ 92,443

Note 4 – Interfund Receivables, Payables, Advances and Transfers

The composition of interfund balances as of June 30, 2018 is as follows:

Fund	Due From Other Funds	Due To Other Funds
Government Funds:		
General Fund	\$ -	\$ 4,840
Permanent Fund	4,840	-
Total Governmental Funds	4,840	4,840

Composition and purpose of interfund receivables and payables is as follows:

\$4,840 is owed from the General Fund to the Permanent Fund. This amount represents endowment money collected by the General Fund that had not been transferred to the Permanent Fund as of June 30, 2018.

Note 5 – Inventory

At June 30, 2018, the General Fund had in Inventory various sized crypts, vaults and liners with an aggregate value of \$230,482.

Public Cemetery District No. 1 of Kern County

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2018

Note 6 – Capital Assets

Capital asset activity for the year ended June 30, 2018 is as follows:

<u>Governmental Activities</u>	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>
Capital assets, not being depreciated:				
Land	\$ 353,340	\$ -	\$ -	\$ 353,340
Construction in Progress	-	-	-	-
Total capital assets, not being depreciated	353,340	-	-	353,340
Capital assets, being depreciated:				
Buildings and Improvements	1,742,359	-	-	1,742,359
Machinery and Equipment	624,322	73,973	-	698,295
Total capital assets, being depreciated	2,366,681	73,973	-	2,440,654
Less accumulated depreciation for:				
Buildings and Improvements	811,622	46,829	-	858,451
Machinery and Equipment	539,103	30,852	-	569,955
Total accumulated depreciation	1,350,725	77,681	-	1,428,406
Total capital assets, being depreciated, net	1,015,956	(3,708)	-	1,012,248
Governmental activities capital assets, net	<u>\$ 1,369,296</u>	<u>\$ (3,708)</u>	<u>\$ -</u>	<u>\$ 1,365,588</u>

Depreciation charged to Cemetery Services on the Statement of Activities during the year was \$77,681.

Note 7 – Compensated Absences

	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Delitions</u>	<u>Balance June 30, 2018</u>	<u>Due Within One Year</u>
Governmental Activities:					
Compensated Absences	\$ 90,456	\$ 521	\$ -	\$ 90,977	\$ -

Note 8 – Unearned Revenue

Unearned Revenue consists of moneys received where the District has not yet incurred the qualifying expenditures. At June 30, 2018 the District had unearned pre-need burial sales of \$1,317,115.

Public Cemetery District No. 1 of Kern County

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2018

Note 9 – Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,” and GASB Statement No. 65, “Items Previously Reported as Assets and Liabilities,” the District recognizes deferred outflows and inflows of resources.

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net position that applies to a future reporting period and so will not be recognized as an expense or expenditure until then. The District has one item reportable on the Governmentwide Statement of Net Position that meets this criterion, the outflows from changes in the net pension liability.

In addition to liabilities, the Statement of Financial Position will sometimes report a separate section for deferred inflows of resources. A deferred inflows of resources is defined as an acquisition of net position that applies to a future reporting period and so will not be recognized as revenue until then. The District has one item reportable on the Governmentwide Statement of Net Position that meets this criterion, the inflows from changes in the net pension liability.

Note 10 – Public Entity Risk Pools

The District maintains self-insurance programs for workers’ compensation, property, and liability coverage through its membership in the Special Districts Risk Management Authority (SDRMA). SDRMA is composed of California public entities and is organized under a joint powers agreement pursuant to California Government Code. The purpose of the Authority is to arrange and administer programs for the pooling of self-insurance losses, to purchase excess insurance or reinsurance, and to arrange for group-purchased insurance and administrative services. The Board of Directors is composed of nine members elected by the districts who are participating in the Authority. The District does not exercise any control over activities of the Authority beyond its representation on the Board of Directors. Contributions are determined in advance of each membership year and members are subject to dividends and/or assessments.

The District did not have settled claims that exceeded the District’s commercial insurance coverage in any of the past three years.

The District’s deductibles and maximum coverage are as follows:

Coverage Description	Deductibles	Limit
General Liability	\$500 on property damage per occurrence	\$2.5 million per occurrence, no annual aggregate
Auto Liability	\$1,000 on property damage per occurrence	\$2.5 million per occurrence, no annual aggregate
Property	\$1,000 per occurrence	Replacement cost with \$1 billion limit
Boiler & Machinery	\$1,000 per occurrence	Repair/Replacement cost with \$100 million limit
Public Officials Personal Liability	\$1,000 per claim	\$500,000 each occurrence / annual aggregate
Employee Dishonesty Coverage	None	\$1 million per loss
Workers' Compensation and Employer's Liability	None	\$5 million for Employer's Liability and statutory limits for Worker's Compensation

Public Cemetery District No. 1 of Kern County

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2018

Note 10 – Public Entity Risk Pools, (continued)

The latest audited financial information available from SDRMA is for the year ended June 30, 2017 as follows:

Total Assets	\$ 112,489,991
Total Liabilities	<u>62,248,776</u>
Total Members' Equity	<u>\$ 50,241,215</u>
Total Revenue	\$ 65,807,742
Total Expenses	<u>67,709,911</u>
Net Increase in Members' Equity	<u>\$ (1,902,169)</u>

Note 11 – Retirement Plan

Plan Description. The District contributes to the Miscellaneous Plan (Plan) which is a cost sharing multiple employer defined benefit pension plan administered by the California Public Employees Retirement System (CalPERS). CalPERS acts as a common investment and administrative agent for participating public employers within the State of California. Benefit provisions are established by state statutes within the Public Employees' Retirement Law. The District selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through board resolution. CalPERS issues a separate comprehensive annual financial report which is publicly available and can be obtained at CalPERS' website under Forms and Publications.

Benefits Provided. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and plan beneficiaries. The District has two Tiers of benefits. Tier I – Applicable to employees hired prior to January 1, 2013, with a formula of 3% at age 60. Tier II – Applicable to new CalPERS members hired on or after January 1, 2013, as a result of Public Employees' Pension Reform Act of 2013 (PEPRA) with a formula of 2.0% at age 62.

As of the June 30, 2017 measurement date, the district had the following employees covered by benefit term:

	Tier I	Tier II
Active	5	2
Transferred	-	-
Seperated	-	-
Retired	7	-

Public Cemetery District No. 1 of Kern County

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2018

Note 11 – Retirement Plan, (continued)

Contributions. Active plan members are required to contribute 8% of their annual covered salary. The District makes no contributions required of District employees on their behalf and for their account. The District is also required to contribute the actuarially determined annual required contributions necessary to fund the plans. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The average required employer contribution rate for the fiscal year 2017-18 was 12.036% (Tier I) and 6.533% (Tier II) of annual covered salary. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources. At June 30, 2018, the District reported a liability of \$1,091,780 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2017, the District's proportion was 0.0277 percent, which was an increase of 0.0007 from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$148,466. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$ 179,982	\$ 13,725
Difference between Expected and Actual Experience	1,451	20,782
Difference between Projected and Actual Investment Earnings	40,705	-
Differences between Employer's Contributions and Proportionate Share of Contributions	-	60,900
Changes in Employer's Proportion	18,483	22,156
Pension Contributions Made Subsequent to Measurement Date	84,202	-
Total	\$ 324,823	\$ 117,563

The \$84,202 of deferred outflows of resources resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	
2019	\$ 1,145
2020	92,818
2021	53,262
2022	(24,167)
2023	-
Thereafter	-
	\$ 123,058

Public Cemetery District No. 1 of Kern County

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2018

Note 11 – Retirement Plan, (continued)

Actuarial Assumptions. The total pension liability was determined by rolling forward the total pension liability determined in the June 30, 2016, actuarial accounting valuation to June 30, 2017. The June 30, 2017, total pension liability was based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions	
Discount Rate	7.15%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table *	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

* The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the April 2014 experience study report (based on CalPERS demographic data from 1997 to 2011) available online at www.calpers.ca.gov.

Other significant actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011.

Change of Assumption. In fiscal year 2016-17, the financial reporting discount rate for the Plan was lowered from 7.65 percent to 7.15 percent. Deferred outflows of resources for changes of assumptions presented in the Schedule of Collective Pension Amounts represents the unamortized portion of this assumption change.

Discount Rate. The discount rate used to measure the total pension liability was 7.15 percent and reflects the long-term expected rate of return for the Plan net of investment expenses and without reduction for administrative expenses. To determine whether the municipal bond rate should be used in the calculation of the discount rate for public agency plans (including the Plan), the amortization and smoothing periods adopted by the Board in 2013 were used. For the Plan, the crossover test was performed for a miscellaneous agent plan and a safety agent plan selected as being more at risk of failing the crossover test and resulting in a discount rate that would be different from the long-term expected rate of return on pension investments. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan. The crossover test results can be found on CalPERS' website at <https://www.calpers.ca.gov/page/employers/actuarial-services/gasb>.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

Public Cemetery District No. 1 of Kern County

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2018

Note 11 – Retirement Plan, (continued)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set to equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The long-term expected real rates of return by asset class can be found in CalPERS' Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability/(asset) of the Plan as of the measurement date, calculated using the discount rate of 7.15 percent, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Plan's Net Pension Liability/(Asset)	\$ 1,685,055	\$ 1,091,780	\$ 600,419

Plan Fiduciary Net Position. Detailed information about the Plan's fiduciary net position is available in the separately issued CalPERS financial report. The plan fiduciary net position may differ from the plan assets reported in the actuarial valuation report due to several reasons. First, for the accounting valuations, CalPERS must keep items such as deficiency reserves, fiduciary self-insurance and OPEB expense included in fiduciary net position. These amounts are excluded for rate setting purposes in the funding actuarial valuation. In addition, differences may result from early CAFR closing and final reconciled reserves.

Amortization of Deferred Outflows and Deferred Inflows of Resources. The Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments is amortized over a five-year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period, and the remaining Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments is amortized over the remaining amortization periods. The Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments in the Schedule of Collective Pension Amounts represents the unamortized balance relating to the current measurement period and the prior measurement periods on a net basis.

Public Cemetery District No. 1 of Kern County

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2018

Note 11 – Retirement Plan, (continued)

Deferred Outflows of Resources and Deferred Inflows of Resources relating to Differences Between Expected and Actual Experience and Changes of Assumptions are amortized over the Expected Average Remaining Service Lifetime (EARSL) of members provided with pensions through the Plan determined as of the beginning of the related measurement period. The EARSL for the Plan for the June 30, 2017 measurement date is 3.8 years, which was obtained by dividing the total service years of 490,088 (the sum of remaining service lifetimes of all active employees) by 130,595 (the total number of participants: active, inactive, and retired) in the Plan. Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

Payable to the Pension Plan. At June 30, 2018, there is no outstanding amount of contributions payable to the pension plan required for the year ended June 30, 2018.

Note 12 – Other Disclosures

Economic Dependency

Burial revenues from residents within the District's boundaries represent 36% of the District's revenue. Property taxes collected within the County of Kern represent 60% of the District's revenues.

Date of Management Evaluation

Management has evaluated subsequent events through September 20, 2018, the date on which the financial statements were available to be issued.

Excess of Expenditures over Appropriations

For the year ended June 30, 2018, some expenditures exceeded appropriations. The over expenditures were funded from current tax revenue.

Contingencies

The District has a contingent property tax liability for its share of tax refund claims pending against the County of Kern attributable to taxes paid by property owners but disputed. Because both the amount of the contingency and the expected outcome cannot be determined, the liability has not been provided for in the financial statements. At June 30, 2017, the latest date reported by the County, the contingent liability was \$200,420.

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REQUIRED SUPPLEMENTARY INFORMATION

Public Cemetery District No. 1 of Kern County

RETIREMENT PLAN SCHEDULES

Year ended June 30, 2018

Schedule of District's Proportionate Share of the Net Pension Liability and Related Ratios as of the Measurement Date

	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Proportion of the Net Pension Liability/(Asset)	0.02770%	0.02257%	0.02212%	0.01010%
Proportionate Share of the Net Pension Liability/(Asset)	\$ 1,091,780	\$ 784,169	\$ 606,939	\$ 628,633
Covered-Employee Payroll	\$ 338,898	\$ 319,651	\$ 305,956	\$ 301,301
Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	322.16%	245.32%	198.37%	208.64%
Proportionate Share of the Fiduciary Net Position as a Percentage of the District's Total Pension Liability	74.69%	79.19%	83.48%	83.03%
Proportionate Share of Aggregate Employer Contributions	\$ 121,889	\$ 110,523	\$ 107,331	\$ 83,166

Schedule of District Contributions

	Year Ended			
	6/30/2018	6/30/2017	6/30/2016	6/30/2015
Contractually Determined Contribution (Actuarially)	\$ 80,799	\$ 70,395	\$ 49,445	\$ 46,700
Contributions in Relation to the Actuarially Determined Contribution	(80,799)	(70,395)	(49,445)	(46,700)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Covered-Employee Payroll	\$ 338,898	\$ 319,651	\$ 305,956	\$ 301,301
Contributions as a Percentage of Covered-Employee Payroll	23.84%	22.02%	16.16%	15.50%

Notes to Schedules

Until a full 10-year trend is compiled, the information will be presented for those years for which information is available. Historical information is required only for measurement periods for which GASB 68 is applicable.

Change in Assumptions: The discount rate was changed from 7.65% at 6/30/2016 to 7.15% at 6/30/2017 measurement dates.

Public Cemetery District No. 1 of Kern County
SUPPLEMENTAL SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE (DEFICIT), BUDGET AND ACTUAL
GENERAL FUND
Year ended June 30, 2018

	Original & Final Budget	Actual	Actual Over (Under) Budget
Revenues:			
Property Taxes	\$ 788,674	\$ 813,100	\$ 24,426
Burials	412,155	486,378	74,223
Use of Money or Property	19,500	45,593	26,093
Misellaneous	2,400	2,000	(400)
	<hr/>		
Total Revenues	1,222,729	1,347,071	124,342
Expenditures:			
Salaries and Employee Benefits	738,954	760,361	21,407
Services and Supplies	271,160	315,558	44,398
Capital Outlay:			
General Capital Outlay	75,000	71,392	(3,608)
	<hr/>		
Total Expenditures	1,085,114	1,147,311	62,197
	<hr/>		
Revenues Over (Under) Expenditures	137,615	199,760	62,145
Other Financing Sources (Uses):			
Operating Transfers In (Out)	-	-	-
	<hr/>		
Total Other Financing Sources (Uses)	-	-	-
	<hr/>		
Net Changes in Fund Balance	<u>\$ 137,615</u>	199,760	<u>\$ 62,145</u>
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Fund Balance - Beginning		<u>788,466</u>	
	<hr/>		
Fund Balance - Ending		<u>\$ 988,226</u>	

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**ADDITIONAL REPORTING REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

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Albert & Associates, LLP

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Trustees of the Public Cemetery
District No. 1 of Kern County, California:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Public Cemetery District No. 1 of Kern County, California, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Public Cemetery District No. 1 of Kern County's basic financial statements, and have issued our report thereon dated September 20, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Public Cemetery District No. 1 of Kern County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Public Cemetery District No. 1 of Kern County's internal control. Accordingly, we do not express an opinion on the effectiveness of Public Cemetery District No. 1 of Kern County's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Public Cemetery District No. 1 of Kern County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Albert & Associates, LLP

Wasco, California
September 20, 2018