

**TEMECULA PUBLIC CEMETERY
DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2017

TEMECULA PUBLIC CEMETERY DISTRICT

TEMECULA, CALIFORNIA

JUNE 30, 2017

MEMBER	OFFICE	TERM EXPIRES
Rosie Vanderhaak	Chair	June 2021
Dale Qualm	Vice Chair	June 2019
Mike Dugan	Trustee	June 2021
Craig Davis	Trustee	December 2020
David Reese	Trustee	June 2018

ADMINISTRATION

Cindi Beaudet

General Manager

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TEMECULA PUBLIC CEMETERY DISTRICT

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Temecula Public Cemetery District
Temecula, California

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities and each major fund of Temecula Public Cemetery District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Temecula Public Cemetery District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Temecula Public Cemetery District's 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. 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 Temecula Public Cemetery District, as of June 30, 2017, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison schedule on pages 5–9 and 31, respectively, 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.

Dennis Cooper & Associates C.P.A.s

November 10, 2017

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TEMECULA PUBLIC CEMETERY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Temecula Public Cemetery District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities and performance of the District for the fiscal year ended June 30, 2017. Please read it in conjunction with additional information that we have furnished in the accompanying basic financial statements, which follow this section.

Financial Highlights

- The District's net position increased 5% or \$422k to \$8,212k in 2017. This is similar to the increase in net assets for the past few years.
- The District's property tax revenues increased by 2%, or \$14k in 2017 due to the increase of property values within the District's boundaries.
- Total revenues from all sources decreased by 8% or \$79k to \$988k in 2017 due to a decrease in service revenue and unrealized losses from investments.
- Total expenses increased 8% or \$71k in 2017 due to a large increase in legal fees, temporary office help, and employee benefits.

Using This Financial Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies. The Statement of Net Position includes all of the District's investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing a rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenue and expenses are accounted for in the Statement of Activities. This statement measures the success of the District's operations over the past year and can be used to determine the District's profitability and credit worthiness.

Temecula Public Cemetery District
Management's Discussion and Analysis
For the Year Ended June 30, 2017

Government-wide Financial Statements

Statement of Net Position and Statement of Activities

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Activities and Changes in Net Assets report information about the District in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

Governmental Funds Financial Statements

Balance Sheet and Statement of Revenue, Expenditures and Changes in Fund Balance

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balance of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

Because the focus on governmental funds is narrower than that of a government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between government funds and governmental activities.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's budgetary information and compliance.

Temecula Public Cemetery District
Management's Discussion and Analysis
For the Year Ended June 30, 2017

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets of the District exceeded liabilities by \$8,212k as of June 30, 2017.

A portion of the District's net position, \$3,200k, reflects its investment in capital assets (net of accumulated depreciation), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to operate the cemetery; consequently, these assets are not available for future spending. At the end of fiscal year 2017, the District shows a positive balance in its unrestricted net position of \$3,117k that may be utilized in future years.

Table 1 - Net Position

<i>(Amounts in thousands)</i>	2017	2016	\$ Change	% Change
Current and other assets	\$ 3,115	\$ 2,425	\$ 690	28%
Capital assets	5,144	5,406	(262)	-5%
Total Assets	8,259	7,831	428	5%
Current liabilities	47	41	6	15%
Non-current liabilities	-	-	-	n/a
Total Liabilities	47	41	6	15%
Net position				
Net investment in capital assets	3,200	3,249	(49)	-2%
Restricted	1,853	1,707	146	9%
Unrestricted	3,159	2,834	325	11%
Total Net Position	\$ 8,212	\$ 7,790	\$ 422	5%

Temecula Public Cemetery District
Management's Discussion and Analysis
For the Year Ended June 30, 2017

The statement of activities shows how the government's net position changes during the fiscal year. In the case of the District, net position increased by \$423k for the fiscal year ended June 30, 2017.

Table 2 - Changes in Net Position

<i>(Amounts in thousands)</i>	2017	2016	\$ Change	% Change
Program revenue	\$ 285	\$ 347	\$ (62)	-18%
General revenue	703	720	(17)	-2%
Total Revenue	988	1,067	(79)	-7%
Salaries and benefits	262	235	27	11%
Supplies and services	252	209	43	21%
Other charges	51	51	-	0%
Total Expenses	565	495	70	14%
Excess before special items and transfers	423	572	(149)	-26%
Special items	-	1		0%
Increase in net position	\$ 423	\$ 573	\$ (149)	-26%

Governmental Funds Financial Analysis

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, the unreserved fund balance may serve as a useful measure of the government's net resources for spending at the end of the fiscal year.

As of June 30, 2017, the District's General Fund reports a fund balance of \$961,012. An amount of \$918,732 constitutes the District's unassigned fund balance, which is available for future cemetery expansion expenditures.

General Fund Budgetary Highlights

While the District budgets each fiscal year for a zero net increase, the General Manager works to minimize costs. Total expense for the year ended June 30, 2017, was \$480,702 under budget due to salaries Administrative costs being held substantially below the budgeted levels, and to Capital outlays for which the District had budgeted but did not utilize.

Temecula Public Cemetery District
Management's Discussion and Analysis
For the Year Ended June 30, 2017

Capital asset administration

At the end of fiscal year 2017, the District's investment in capital assets amount to \$3,200,142 (net of depreciation). This investment in capital assets includes structures and improvements, equipment and construction-in-process.

Table 3 - Capital Assets, Net of Depreciation

<i>(Amounts in thousands)</i>	2017	2016	\$ Change	% Change
Land	\$ 78	\$ 78	\$ -	0%
Construction in progress	2,584	2,603	(19)	-1%
Intangible	9	-	9	n/a
Buildings and improvements	498	526	(28)	-5%
Equipment	31	42	(11)	-26%
Total	\$ 3,200	\$ 3,249	\$ (49)	-2%

Conditions Affecting Current Financial Position

Management is unaware of any conditions which could have a significant impact on the District's current financial position, net assets or operating results in terms of past, present and future.

Requests for Information

The District's basic financial statements are designed to present users with a general overview of the District's finances and to demonstrate the District's accountability. If you have any questions about the report or need additional information, please contact the District's Cemetery Manager, Cindi Beaudet, at the Temecula Public Cemetery District, 41911 "C" Street, Temecula, CA 92592

TEMECULA PUBLIC CEMETERY DISTRICT

GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET POSITION
 JUNE 30, 2017

	General Fund	ACO Fund	Endowment Care Fund
ASSETS			
Cash and cash equivalents	\$ 945,172	\$ 1,570,413	\$ 513,736
Accrued receivables	20,772	58	12,596
Prepaid expenditures	5,525	-	-
Inventory	36,755	-	-
Investments	-	-	1,943,757
Nondepreciable capital assets	-	-	-
Depreciable capital assets, net	-	-	-
TOTAL ASSETS	\$ 1,008,224	\$ 1,570,471	\$ 2,470,089
LIABILITIES			
Accrued payables	\$ 47,212	\$ -	\$ -
FUND BALANCE / NET POSITION			
Fund Balance			
Non-spendable	42,280	-	1,852,608
Assigned	-	1,570,471	617,481
Unassigned	918,732	-	-
Net Position			
Net investment in capital assets	-	-	-
Restricted	-	-	-
Unrestricted	-	-	-
Total Fund Balance / Net Position	961,012	1,570,471	2,470,089
TOTAL LIABILITIES AND FUND BALANCE / NET POSITION			
	\$ 1,008,224	\$ 1,570,471	\$ 2,470,089

The accompanying notes are an integral part of these financial statements

Total		
Governmental Funds	Adjustments (Note 2-A.)	Statement of Net Position
\$ 3,029,321	\$ -	\$ 3,029,321
33,426	10,418	43,844
5,525	-	5,525
36,755	-	36,755
1,943,757	-	1,943,757
-	2,670,789	2,670,789
-	529,353	529,353
<u>\$ 5,048,784</u>	<u>\$ 3,210,560</u>	<u>\$ 8,259,344</u>
\$ 47,212	\$ -	\$ 47,212
1,894,888	(1,894,888)	-
2,187,952	(2,187,952)	-
918,732	(918,732)	-
-	3,200,142	3,200,142
-	1,852,608	1,852,608
-	3,159,382	3,159,382
<u>5,001,572</u>	<u>3,210,560</u>	<u>8,212,132</u>
<u>\$ 5,048,784</u>	<u>\$ 3,210,560</u>	<u>\$ 8,259,344</u>

TEMECULA PUBLIC CEMETERY DISTRICT

GOVERNMENTAL FUNDS STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE/STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	ACO Fund	Endowment Care Fund
REVENUE			
Program Revenue:			
Charges for services	\$ 137,700	\$ -	\$ 147,110
Property taxes, general purpose	649,232	-	-
Grants and contributions not restricted to specific programs	9,347	-	-
Revenue from use of money	7,235	6,084	29,422
Other revenues	2,400	-	-
Total Revenue	805,914	6,084	176,532
EXPENDITURES / EXPENSES			
Current:			
Salaries and wages	184,645	-	-
Benefits	77,724	-	-
Supplies	31,833	-	-
Services	220,346	-	-
Depreciation	-	-	-
Capital Outlay	27,323	-	-
Total Expenditures / Expenses	541,871	-	-
Excess (Deficiency) of Revenue over Expenditures/Expenses	264,043	6,084	176,532
OTHER FINANCING SOURCES/USES			
Transfers - internal activity	(545,500)	545,500	-
Proceeds	-	25,000	-
Total Financing Sources/Uses	(545,500)	570,500	-
NET CHANGE IN FUND BALANCE / NET POSITION	(281,457)	576,584	176,532
Fund Balance / Net Position - Beginning (Restated)	1,242,469	993,887	2,293,557
Fund Balance / Net Position - Ending	\$ 961,012	\$ 1,570,471	\$ 2,470,089

The accompanying notes are an integral part of these financial statements

Total		
Governmental Funds	Adjustments (Note 2-B.)	Statement of Activities
\$ 284,810	\$ -	\$ 284,810
649,232	(852)	648,380
9,347	-	9,347
42,741	-	42,741
2,400	-	2,400
<u>988,530</u>	<u>(852)</u>	<u>987,678</u>
184,645	-	184,645
77,724	-	77,724
31,833	-	31,833
220,346	-	220,346
-	50,732	50,732
27,323	(27,323)	-
<u>541,871</u>	<u>23,409</u>	<u>565,280</u>
446,659	(24,261)	422,398
-	-	-
25,000	(25,000)	-
<u>25,000</u>	<u>(25,000)</u>	<u>-</u>
471,659	(49,261)	422,398
4,529,913	3,259,821	7,789,734
<u>\$ 5,001,572</u>	<u>\$ 3,210,560</u>	<u>\$ 8,212,132</u>

TEMECULA PUBLIC CEMETERY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1 - A. Financial Reporting Entity

The accompanying financial statements present the activities of the Temecula Public Cemetery District (“the District”). The District is a public cemetery was formed on June 27, 1927 in the County of Riverside, under Health and Safety Code § 9010.

The District's financial operation is governed by a Board of Trustees consisting of five members, including the chair who is selected by the Board. The members of the Board are appointed by the Riverside County Board of Supervisors to serve for a term of four (4) years.

The accounting and reporting policies of the District are pursuant to Government Code § 53891, the provisions of this accounting system are prescribed for all districts engaged in activities other than recognized enterprise activities. The purpose of the accounts and procedures is to furnish a common accounting and reporting framework which is flexible enough to prepare financial statements in accordance with generally accepted accounting principles and prepare the Annual Report of Financial Transactions for Special Districts as required by the State Controller's Office.

1 - B. Other Related Entities

Joint Powers Authority (“JPA”). The District is associated with one JPA, the Special District Risk Management Authority (“SDRMA”). This organization does not meet the criteria for inclusion as a component unit of the District. Additional information is presented in Note 11 to the financial statements.

1 - C. Basis of Presentation

Government-wide Statements. The statement of net position and the statement of activities display information about the District. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

Program revenues include fees, fines, and charges paid by the recipients of goods or services offered by the cemetery. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Combined Fund and Government-Wide Statements. Governments engaged in a single governmental program may combine their fund financial statements with their government-wide statements by using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column.

The District presents the combined governmental fund balance sheet/statement of net position, and combined statement of governmental fund revenues, expenditures, and changes in fund balances/statement of activities. The explanations for the reconciliation items in the “Adjustments” column are not provided on the face of the statement, but instead are disclosed in the notes. The District realigns the statement of activities to be compatible with the fund financial statement format.

TEMECULA PUBLIC CEMETERY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS, Continued
JUNE 30, 2017

Major Governmental Funds

General Fund. This is the District’s primary operating fund. It accounts for all financial resources of the general government, except those accounted for in other funds.

Accumulated Capital Outlay (“ACO”) Fund. To account for financial resources to be used for the acquisition or construction of major capital facilities.

Endowment Care Fund. Per Health and Safety Code §9065, the board of trustees shall create an endowment care fund, and require a payment into the endowment care fund for each interment right sold. The Board of Trustees shall not spend the principal of the fund. The Board of Trustees shall cause the income from the fund to be deposited in an endowment income fund and spent solely for the care of the cemeteries owned by the District.

1 - D. Basis of Accounting – Measurement Focus

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, include property taxes and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes, franchise taxes, licenses, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and financing from capital leases are reported as other financing sources.

1 - E. Assets, Liabilities, and Net Position

Fair Value. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements as of June 30, 2017:

- ❖ Cash in county of \$2,544,182 are valued using quoted market prices (Level 1 inputs)
- ❖ Mutual fund/money market funds of \$360,099; Level 1 inputs
- ❖ All investments of \$1,943,757; Level 1 inputs

Acquisition Value. The price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date, or the amount at which a liability could be liquidated with the counterparty at the acquisition date.

TEMECULA PUBLIC CEMETERY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS, Continued
JUNE 30, 2017

Inventories and Prepaid Items.

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Accrued Receivables

All trade and property tax receivables are shown as fully collectible. The District considers receivables collected within sixty days after year-end to be available and recognizes them as revenues of the current year.

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at acquisition value. The District maintains a capitalization threshold of \$2,500. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets utilized by the enterprise fund is also capitalized. Depreciation of capital assets is computed and recorded by the straight-line method over the following estimated useful life:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings and improvements	10 – 50
Equipment	5 – 20

Accrued Liabilities

All payables and accrued liabilities are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

However, claims and judgments and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and long-term loans (such as any may occur) are recognized as liabilities in the governmental fund financial statements when due.

Fund Balances

The fund balance for governmental funds is reported in classifications based on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Nonspendable. The resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include Endowment Care corpus, inventories, and prepaid assets.

Assigned. Resources that are constrained by the government's intent to use them for a specific purpose but are neither restricted nor committed, are reported as assigned fund balance. Intent may be expressed by either the Board, committees (such as budget or finance), or officials to which the Board has delegated authority.

TEMECULA PUBLIC CEMETERY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS, Continued
JUNE 30, 2017

Unassigned fund balance represents fund balance that has not been restricted, committed, or assigned and may be utilized by the District for any purpose. When expenditures are incurred and both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources in the order of committed, assigned, and then unassigned, as they are needed.

1 - F. Revenue and Expenditures/Expenses

Revenues – Exchange Transactions (Program Revenue).

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 60 days of fiscal year-end.

Property Tax Calendar

- Jul. 1 Beginning of the fiscal year and delinquent Secured property taxes DEFAULT and begin accruing additional penalties of 1 ½% per month and a redemption fee.
- Jul. Treasurer-Tax Collector mails out Unsecured property tax bills.
- Aug./Sep. Treasurer-Tax Collector mails out Prior Year Secured property tax bills.
- Aug. 31 Unsecured property tax delinquent date. A 10% penalty is added after 5:00 p.m.
- Oct Treasurer-Tax Collector mails out Current Year Secured property tax bills.
- Nov. 1 First installment is due (Current Secured property tax) and delinquent Current Year Unsecured taxes begin accruing additional penalties of 1½% per month.
- Dec.10 First installment payment delinquent date (Current Secured property tax). A 10% penalty is added after 5:00 p.m.
- Jan. 1 Lien date for the establishment of ownership, value and unsecured taxes for the ensuing fiscal year.
- Feb. 1 Second installment is due (Current Secured property tax).
- Apr. 10 Second installment payment delinquent date (Current Secured property tax). A 10% penalty and cost is added after 5:00 p.m.
- May Treasurer-Tax Collector mails delinquent notices for any unpaid, Current Year Secured property taxes.
- Jun. 30 End of fiscal year.

Expenses/Expenditures.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

TEMECULA PUBLIC CEMETERY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS, Continued
JUNE 30, 2017

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the General Fund and government-wide financial statements. For governmental funds, the entire portion of unpaid compensated absences is the amount that is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

Estimates

The preparation of the 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Budgetary Data

Per Health and Safety Code §9070(a), on or before August 30 of each year, the board of trustees shall adopt a final budget, which shall conform to the accounting and budgeting procedures for special districts contained in Subchapter 3 (commencing with § 1031.1) of, and Article 1 (commencing with § 1121) of Subchapter 4 of Division 2 of Title 2 of the California Code of Regulations. The board of trustees may divide the annual budget into categories, including, but not limited to:

- ❖ Maintenance and operation.
- ❖ Employee compensation.
- ❖ Interest and redemption for indebtedness.
- ❖ Restricted reserves for the following categories:
 - ❖ Endowment income fund.
 - ❖ Capital outlay.
 - ❖ Pre-need.
 - ❖ Contingencies.
 - ❖ Unallocated general reserve.

The board of trustees shall forward a copy of the final budget to the auditor of each county in which the district is located.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

TEMECULA PUBLIC CEMETERY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS, Continued JUNE 30, 2017

1 - G. New Accounting Pronouncements

The Governmental Accounting Standards Board (“GASB”) has issued the following standards:

- ❖ Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged.
- ❖ GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer’s pension liability is measured as of a date other than the employer’s most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged.
- ❖ GASB Statement No. 84, *Fiduciary Activities*. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.
- ❖ GASB Statement No. 85, *Omnibus 2017*. The provisions of this Statement are effective for periods beginning after June 15, 2017. Earlier application is encouraged.
- ❖ GASB Statement No. 87, *Leases*. Effective Date: For reporting periods beginning after December 15, 2019.

For specific details about the standards, please see www.gasb.org.

TEMECULA PUBLIC CEMETERY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS, Continued
JUNE 30, 2017

NOTE 2 – EXPLANATION OF DIFFERENCES BETWEEN THE FUND FINANCIAL STATEMENTS AND DISTRICT-WIDE FINANCIAL STATEMENTS

2 - A. Governmental Funds Balance Sheet and Statement of Net Position

Total Fund Balance - Governmental Funds \$ 5,001,572

Amounts reported for assets, deferred outflows of resources, liabilities, and deferred inflows of resources for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

Capital assets:

In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation:

Capital assets relating to governmental activities, at historical cost:	\$ 3,628,609	
Accumulated depreciation:	(428,467)	3,200,142

Deferred recognition of earned but unavailable revenues:

In governmental funds, revenue is recognized only to the extent that it is "available," meaning it will be collected soon enough after the end of the period to finance expenditures of that period. Receivables for revenues that are earned but unavailable are deferred until the period in which the revenues become available. In the government-wide statements, revenue is recognized when earned, regardless of availability. The amount of unavailable revenues that were deferred in governmental funds, but are recognized in the government-wide statements, is:

10,418

Total Net Position - Governmental Activities: \$ 8,212,132

TEMECULA PUBLIC CEMETERY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS, Continued
JUNE 30, 2017

2 - B. Governmental Funds Operating Statements and the Statement of Activities

Net Changes in Fund Balances - Total Governmental Funds \$ 471,659

Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:

Capital outlay:

In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay:	\$ 27,323	
Depreciation expense:	<u>(50,732)</u>	(23,409)

Earned but unavailable revenues:

In governmental funds, revenues are recognized only to the extent that they are "available," meaning they will be collected soon enough after the end of the period to finance expenditures of that period. In the government-wide statements, revenue is recognized when earned, regardless of availability. The amount of earned but unavailable revenues relating to the current period, less revenues that became available in the current period but related to a prior period, is:

(852)

Write-off for canceled capital projects:

If a planned capital project is canceled and will not be completed, costs previously capitalized as Work in Progress must be written off to expense. Costs written off for canceled projects were:

(25,000)

Change in Net Position of Governmental Activities: \$ 422,398

TEMECULA PUBLIC CEMETERY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS, Continued
JUNE 30, 2017

NOTE 3 – DEPOSITS AND INVESTMENTS

3 - A. Summary of Deposit and Investment Balances

	Governmental Activities
Deposits in financial institutions	\$ 125,040
Cash in county	2,544,182
Money market/Mutual funds	360,099
Total Cash and Cash Equivalents	\$ 3,029,321
<u>Investments</u>	<u>\$ 1,943,757</u>

3 - B. Cash Deposits

Credit Risk. As of June 30, 2017, the District’s Cash in County pool (as maintained by the Riverside County Treasurer) consisted of debt securities and the ratings ranged from AAA to AA- by Standard & Poor’s.

Custodial Credit Risk. There is a risk that, in the event of a bank failure, the District’s deposits may not be returned. The District’s deposit policy requires that all deposits are covered by the Federal Depository Insurance Corporation (“FDIC”) or are collateralized as required by Statutes of the State. As of June 30, 2017, the carrying amount of the District’s bank deposits was \$125,040, and the respective bank balances totaled \$156,868, all of which was insured through the FDIC.

TEMECULA PUBLIC CEMETERY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS, Continued
JUNE 30, 2017

3 - C. Policies and Practices

Allowable investment instruments per Government Code §§ 16340, 16429.1, 53601, 53601.8, 53635, 53635.2, 53635.8, and 53638.

INVESTMENT TYPE	MAXIMUM MATURITY	MAXIMUM SPECIFIED % OF PORTFOLIO	MINIMUM QUALITY REQUIREMENTS
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
State Obligations— CA And Others	5 years	None	None
CA Local Agency Obligations	5 years	None	None
U.S Agency Obligations	5 years	None	None
Bankers' Acceptances	180 days	40%	None
Commercial Paper— Pooled Funds	270 days	40% of the agency's money	Highest letter and number rating by an NRSROH
Commercial Paper— Non-Pooled Funds	270 days	25% of the agency's money	Highest letter and number rating by an NRSROH
Negotiable Certificates of Deposit	5 years	30%	None
Non-negotiable Certificates of Deposit	5 years	None	None
Placement Service Deposits	5 years	30%	None
Placement Service Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements and Securities Lending Agreements	92 days	20% of the base value of the portfolio	None
Medium-Term Notes	5 years	30%	"A" rating category or its equivalent or better
Mutual Funds And Money Market Mutual Funds	N/A	20%	Multiple
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass-through Securities	5 years	20%	"AA" rating category or its equivalent or better R
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
Voluntary Investment Program Fund	N/A	None	None
Supranational Obligations	5 years	30%	"AA" rating category or its equivalent or better

TEMECULA PUBLIC CEMETERY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS, Continued
 JUNE 30, 2017

3 - D. Investments

Portfolio	Standard & Poor's Rating	Percentage	Fair Market Value	Maturities in years			
				< 1	1 - 5	6 - 10	> 10
Cash in county	NA	52%	\$ 2,544,182	\$ 2,544,182	\$ -	\$ -	\$ -
Money market/ Mutual funds	NA	7%	360,099	360,099	-	-	-
Cash equivalents			2,904,281	2,904,281	-	-	-
U.S. Agency Obligations ¹	AA+	13%	637,706	49,971	381,862	172,735	33,138
	BBB+						
	through						
Corporate bonds ²	AA-	12%	574,535	205,680	368,855	-	-
Foreign bonds	A	1%	50,315	-	50,315	-	-
Certificates of participation	FDIC	14%	663,460	95,036	568,424	-	-
Collateralized Mortgage Obligations ("CMOs") ^{1 & 2}	Not Rated	0%	17,741	-	-	-	17,741
Investments			1,943,757	350,687	1,369,456	172,735	50,879
Total Portfolio		100%	\$ 4,848,038	\$ 3,254,968	\$ 1,369,456	\$ 172,735	\$ 50,879

Violations of investment policy:

¹ Per the investment policy (page 23), the maximum maturity for U.S. Agency Obligations and mortgage pass-through securities, also known as derivatives, is five years. As of June 30, 2017, some of the District's U. S. Agency Obligations, \$205,873, and the derivatives (CMOs), \$17,741, have maturities in excess of the allowable five year maturity maximum.

² Per the investment policy (page 23), the minimum rating allowed for medium term notes is "A" and derivatives are "AA." As of June 30, 2017, the District has a total of \$160,831 in corporate bonds rated "BBB+" by Standard & Poor's, and the CMOs are not rated (in addition to them having maturities in excess of five years).

Custodial Credit Risk. For an investment, custodial credit risk 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.

As of June 30, 2017, \$1,943,757 of the underlying securities are held by the investment's counterparty. There is a risk that, in the event of a counterparty failure, the District's investments may not be returned. Of the total counterparty balance, \$500,000 was insured through the Securities Investor Protection Corporation ("SIPC"). The remaining \$1,443,757 was collateralized with pooled securities held by the financial institutions' trust departments. These securities are held in the name of the financial institution and not that of the District.

TEMECULA PUBLIC CEMETERY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS, Continued
 JUNE 30, 2017

NOTE 4 – ACCRUED RECEIVABLES

Receivables at June 30, 2017, were as follows:

	Capital		Endowment	Total	
	General Fund	Projects Fund	Care Fund	Entity-Wide	Governmental Activities
Taxes	\$ 19,864	\$ -	\$ -	\$ 10,418	\$ 30,282
Interest	908	58	12,596	-	13,562
Total Accrued Receivables	\$ 20,772	\$ 58	\$ 12,596	\$ 10,418	\$ 43,844

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017

	Balance			Balance
	Jul. 01, 2016	Additions	Deletions	Jun. 30, 2017
Capital Assets Not Being Depreciated				
Land	\$ 77,561	\$ -	\$ -	\$ 77,561
Construction in progress	2,603,181	6,077	25,000	2,584,258
Intangible assets	-	8,970	-	8,970
Total Capital Assets Not Being Depreciated	\$ 2,680,742	\$ 15,047	\$ 25,000	\$ 2,670,789
Capital Assets Being Depreciated				
Buildings and improvements	770,335	9,454	-	779,789
Equipment	176,836	2,822	1,627	178,031
Total assets being depreciated	947,171	12,276	1,627	957,820
Less Accumulated Depreciation				
Buildings and improvements	244,183	37,182	-	281,365
Equipment	135,179	13,550	1,627	147,102
Total accumulated depreciation	379,362	50,732	1,627	428,467
Total Capital Assets Being Depreciated, Net	\$ 567,809	\$ (38,456)	\$ -	\$ 529,353

NOTE 6 – INTERFUND ACTIVITY

During the year ended June 30, 2017, the General Fund transferred \$545,500 to the ACO Fund, for the development of the new cemetery site.

TEMECULA PUBLIC CEMETERY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS, Continued
JUNE 30, 2017

NOTE 7 – ACCRUED PAYABLES

Payables at June 30, 2017, were as follows:

	<u>General Fund</u>
Vendors	\$ 28,867
Payroll	6,112
Vacation balance	12,156
Other	77
Total Accrued Payables	\$ 47,212

NOTE 8 – CalPERS 457 DEFERRED COMPENSATION SAVINGS PLAN

For the benefit of its employees, the District participates in the California Public Employees' Retirement System ("CalPERS") 457 Deferred Compensation Program (Program). The purpose of this Program is to provide deferred compensation for California public employees that elect to participate in the Program. This Program is established pursuant to sections 21670 through 21685 of the Government Code of the State of California and is intended to constitute an "eligible deferred compensation plan" within the meaning of Section 457 of the Federal Internal Revenue Code. Eligible employees may defer receipt of a portion of their pay until termination, retirement, death or unforeseeable emergency. These funds are not reported as taxable income until paid to the employee for income tax purposes.

The Program was created under the administrative and investment control of the CalPERS Board, which requires the Board to act in the interest of Program participants. Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of participants.

The District established a matching contribution program on behalf of each participating employee in the Program. The matching contribution for each participating employee is subject to a maximum of 0.5% of the employee's total cash compensation. The District's matching contribution was \$11,652 for the fiscal year ended June 30, 2017. The District negotiated a contract with General Manager, starting July 1, 2015, the matching contribution on her behalf was increased to 7%.

TEMECULA PUBLIC CEMETERY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS, Continued
JUNE 30, 2017

NOTE 9 – FUND BALANCE

Fund balance components at June 30, 2017, were as follows:

	General Fund	ACO Fund	Endowment Care Fund	Total Governmental Funds
Nonspendable				
Inventory	\$ 36,755	\$ -	\$ -	\$ 36,755
Prepaid expenditure	5,525	-	-	5,525
Endowment care corpus	-	-	1,852,608	1,852,608
Total Nonspendable	42,280	-	1,852,608	1,894,888
Assigned				
Capital projects	-	1,570,471	-	1,570,471
Endowment care earnings	-	-	617,481	617,481
Total Assigned	-	1,570,471	617,481	2,187,952
Unassigned	918,732	-	-	918,732
Total Fund Balances	\$ 961,012	\$ 1,570,471	\$ 2,470,089	\$ 5,001,572

NOTE 10 – COMMITMENTS AND CONTINGENCIES

On September 1, 1990, the District approved an election to be subject to the Public Employees’ Medical and Hospital Care Act, whereas Government Code §22850 extends the benefits of the Public Employees’ Medical and Hospital Care Act to the employees of contracting agencies on proper application by an agency; and whereas Government Code §22754(g) defines any special district as a contracting agency.

Due to the application of the above mentioned resolution, management believes they will have a liability for other postemployment benefits. However, for the year ended June 30, 2017 the District has NOT paid any retiree benefits. Therefore, while there is a liability, management believes the liability to be insignificant to the District’s financial statements.

TEMECULA PUBLIC CEMETERY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS, Continued
JUNE 30, 2017

NOTE 11 – PARTICIPATION IN A JOINT POWERS AUTHORITY

The District is a member of SDRMA, to provide liability and property insurance, as well as workers’ compensation insurance. The relationship is such that the JPAs are not component units of the District for financial reporting purposes.

This entity has budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these financial statements. Audited financial statements are available from SDRMA.

During the year ended June 30, 2017, the District made payments of \$15,809.

NOTE 12 – RESTATEMENTS

There were changes in management’s perspective on how certain items are to be accounted for, as of the year ended June 30, 2017, the changes are as follows:

	General Fund	Endowment Care Fund	Conversion Entries
Fund Balance/Net Position, June 30, 2016	\$ 1,840,462	\$ 1,706,834	\$ 3,248,551
Increase In:			
Endowment care cash	-	78,085	-
Endowment care investments	-	508,638	-
Property tax receivable	-	-	11,270
Decrease In:			
Endowment care cash	(78,085)	-	-
Endowment care investments	(508,638)	-	-
Property tax receivable	(11,270)	-	-
Restated Fund Balance/Net Position	\$ 1,242,469	\$ 2,293,557	\$ 3,259,821

REQUIRED SUPPLEMENTARY INFORMATION

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TEMECULA PUBLIC CEMETERY DISTRICT

GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive / (Negative)
REVENUE				
Program Revenue:				
Charges for services	\$ 121,000	\$ 121,000	\$ 137,700	\$ 16,700
Property taxes, general purpose	575,000	575,000	649,232	74,232
Grants and contributions not restricted to specific programs	-	-	9,347	9,347
Revenue from use of money	1,700	1,700	7,235	5,535
Other revenues	-	-	2,400	2,400
Total Revenue	697,700	697,700	805,914	108,214
EXPENDITURES				
Current:				
Salaries and wages	215,180	215,180	184,645	30,535
Benefits	135,400	135,400	77,724	57,676
Supplies	61,180	61,180	31,833	29,347
Services	221,350	221,350	220,346	1,004
Capital Outlay	298,500	298,500	27,323	271,177
Total Expenditures	931,610	931,610	541,871	389,739
Excess (Deficiency) of Revenue over Expenditures	(233,910)	(233,910)	264,043	497,953
OTHER FINANCING SOURCES/USES				
Transfers - internal activity	(102,090)	(102,090)	(545,500)	(443,410)
Total Financing Sources/Uses	(102,090)	(102,090)	(545,500)	(443,410)
NET CHANGE IN FUND BALANCE	(336,000)	(336,000)	(281,457)	54,543
Fund Balance - Beginning (Restated)	1,242,469	1,242,469	1,242,469	
Fund Balance - Ending	\$ 906,469	\$ 906,469	\$ 961,012	\$ 54,543

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