

VISALIA PUBLIC CEMETERY DISTRICT

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JUNE 30, 2020

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Visalia Public Cemetery District
Visalia, California

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities and each major fund of Visalia Public Cemetery District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Visalia Public Cemetery District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Visalia 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Visalia Public Cemetery District, as of June 30, 2020, 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.

VISALIA PUBLIC CEMETERY DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2020

VISALIA PUBLIC CEMETERY DISTRICT

VISALIA, CALIFORNIA

JUNE 30, 2020

MEMBER	OFFICE	TERM EXPIRES
George Ouzounian	Chair	January 2024
Tom Link	Vice Chair	January 2021
Geneva Philpot	Secretary	January 2024
Tom Johnson	Trustee	January 2021
Patricia Felts	Trustee	January 2021

ADMINISTRATION

Cindy Summers

District Manager

ORGANIZATION

The Visalia Public Cemetery District was formed in October 1916 to provide burial spaces and internment services. The District encompasses eighty acres of actual burial land with additional expansion property owned for future cemetery development and use.

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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, budgetary comparison information and, pension schedules on pages 4–9 and 31–34, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2020 on our consideration of Visalia Public Cemetery District'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 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 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 Visalia Public Cemetery District's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "M. J. Dennis" followed by "Accountancy" in a cursive script.

October 25, 2020

VISALIA PUBLIC CEMETERY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

Our discussion and analysis of Visalia Public Cemetery District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2020. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- ▶ The District's net position increased over the course of this year's operations.
- ▶ During the year, the District's revenue of \$1.9 million was \$0.3 million more than the \$1.6 million in salaries, benefits, supplies, and other expenses.
- ▶ The general fund reported a decrease in fund balance this year of \$0.04 million.
- ▶ The resources available for appropriation were more than budgeted for the general fund, and expenditures exceeded budgeted amounts by about \$384,000.

VISALIA PUBLIC CEMETERY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued JUNE 30, 2020

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financials Section

This annual report consists of four parts—*management's discussion and analysis* (this section), the *basic financial statements*, *required supplementary information*, and *supplementary information*, which presents federal awards, state required schedules, and combining statements for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the District:

Figure A-1
Required Components of Visalia Public Cemetery District's Annual Financial Report

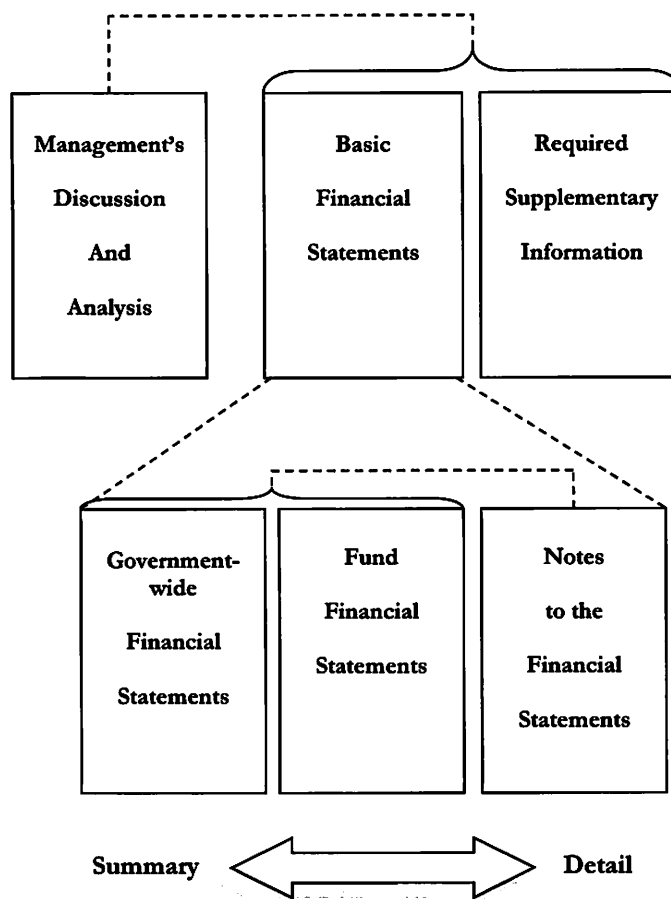
Special-purpose governments engaged in a single governmental program include cemetery districts. For such governments, it is still valuable to have both the comprehensive financial information of the governmental activities in the government-wide statements and the predominantly short-term data in the governmental funds statements.

However, because there is only a single program, the format of some of the financial statements may seem awkward.

With this in mind, the accounting standards allow these kinds of governments to employ alternative forms of presentation that involve combining the government-wide and fund financial statements using a columnar format that reconciles the two kinds of financial data in a separate column on each statement.

The District has prepared a balance sheet/ statement of net position and a combined statement of revenues, expenditures, and changes in fund balances/ statement of activities like a fund statement format.

– The *governmental funds* statements tell how *general government* services like were financed in the *short term* as well as what remains for future spending.



The basic financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The basic financial statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. The figure above shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with additional federal and state required information, as well as a detail of the nonmajor funds.

VISALIA PUBLIC CEMETERY DISTRICT

**MANAGEMENT’S DISCUSSION AND ANALYSIS, Continued
JUNE 30, 2020**

This annual report consists of three parts – Management’s Discussion and Analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

Major Features of Visalia Public Cemetery District’s Government-wide and Fund Financial Statements

Figure A-2

Major Features of Visalia Public Cemetery District’s Government-wide and Fund Financial Statements

	<u>Government-wide Statements</u>	<u>Fund Statements</u> <u>Governmental Funds</u>
Scope	Entire District government	The activities of the District that are not proprietary or fiduciary
Required financial statements	<ul style="list-style-type: none"> ➤ Statement of net position ➤ Statement of activities 	<ul style="list-style-type: none"> ➤ Balance sheet ➤ Statement of revenues, expenditures, and changes in fund balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the government’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District’s *net position* and how it has changed. Net position—the difference between the District’s assets and deferred outflows of resources and liabilities and deferred inflows of resources—is one way to measure the District’s financial health, or *position*.

Over time, increases or decreases in the District’s net position are an indicator of whether its financial health is improving or deteriorating, respectively.

Fund Financial Statements

The fund financial statements provide more detailed information about the District’s most significant *funds*—not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

VISALIA PUBLIC CEMETERY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
 JUNE 30, 2020

Some funds are required by State law and by bond covenants. The District Board establishes other funds to control and manage money for particular purposes (like the Veteran's Wall or Pre-Need) or to show that it is properly using certain revenues and fees taxes and grants (like Veteran's wall fees and pre-need charges). *Governmental funds*—The District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.

Financial Analysis of the District As a Whole

Net position. The District's restated net position increased between fiscal years 2019 and 2020—to almost \$11.0 million. (See Table 1.) This was attributed to mostly to investment increases, with less increase to long-term liabilities.

Table 1 - Net Position

<i>(\$ amounts in thousands)</i>	2020	Restated 2019	\$ Change	% Change
Current and other assets	\$ 1,895	\$ 1,156	\$ 739	64%
Non-current assets	9,638	10,032	(394)	-4%
Total Assets	11,533	11,188	345	3%
Deferred outflows of resources	151	148	3	2%
Current liabilities	58	57	1	2%
Non-current liabilities	606	542	64	12%
Total Liabilities	664	599	65	11%
Deferred inflows of resources	50	46	4	9%
Net position				
Net investment in capital assets	5,743	5,690	53	1%
Restricted	3,511	3,075	436	14%
Unrestricted	1,716	1,926	(210)	-11%
Total Net Position	\$ 10,970	\$ 10,691	\$ 279	3%

VISALIA PUBLIC CEMETERY DISTRICT

MANAGEMENT’S DISCUSSION AND ANALYSIS, Continued
JUNE 30, 2020

Changes in net position. The District’s total revenues (excluding special items) increased by ten percent to \$1.9 million. (See Table 2.) Most of the District’s revenue comes from charges for services, and about twelve percent comes from some type of tax. The rest, comes from investment income (rent, interest, and dividends), and some miscellaneous revenue. Increases in expenses are mostly attributed to increase in pension costs.

Table 2 - Changes in Net Position

<i>(\$ amounts in thousands)</i>	2020	2019	\$ Change	% Change
Program revenue	\$ 1,276	\$ 1,194	\$ 82	7%
General revenue	627	531	96	18%
Total Revenue	1,903	1,725	178	10%
Salaries and benefits	957	835	122	15%
Supplies and services	439	569	(130)	-23%
Other charges	223	168	55	33%
Total Expenses	1,619	1,572	47	3%
Excess before special items and transfers	284	153	131	86%
Special items	(5)	-	(5)	n/a
Increase in net position	\$ 279	\$ 153	\$ 126	82%

Financial Analysis of the District’s Funds

As the District completed the year, its governmental funds reported a *combined* fund balance of \$5.7 million. This is up \$0.2 million. The primary reasons for the general fund’s losses mirror those highlighted in the analysis of governmental activities.

General Fund Budgetary Highlights

Expenses have leveled out and we continue to do preventative maintenance, upkeep, and repairs as needed. Updating of facilities, grounds and equipment is ongoing. Appropriate inter-fund transfers are being made, with the exception of the preneed to general funds when the preneed becomes at-need. The balance in the preneed fund is less than the liability and the manger and the board have agreed to not transfer funds out on a routine basis until the balance and the liability amounts are the same. Salaries and benefits have increased due to step increases and premium costs. Fees for services were increased in labor intensive areas to compensate for increases in the minimum wage.

VISALIA PUBLIC CEMETERY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued JUNE 30, 2020

Capital Asset and Debt Administration

Capital Assets

The 2019/20 balance had invested \$8.3 million in land, buildings and improvements, as well as various equipment. (See Table 3.) The changes include purchases of equipment, some construction in progress, and depreciation.

Table 3 - Capital Assets

<i>(\$ amounts in thousands)</i>	2020	2019	\$ Change	% Change
Land	\$ 2,356	\$ 2,297	\$ 59	3%
Construction in progress	-	26	(26)	-100%
Buildings and improvements	5,323	5,137	186	4%
Equipment	602	512	90	18%
Less accumulated depreciation	(2,563)	(2,341)	(222)	9%
Total	\$ 5,718	\$ 5,631	\$ 87	2%

The District's fiscal year 2021 capital budget has no increase in spending. More detailed information about the District's capital assets is presented in Note 4 to the financial statements.

Long-Term Debt

At year-end the District had over \$0.6 million in a pension liability, an OPEB liability (a restatement due to not recognizing the liability in previous years), and vacation accrual, an increase of twelve percent over last year—as shown in Table 4. More detailed information about the District's long-term liabilities is presented in Note 8 to the financial statements.

Table 4 - Long-Term Liabilities

<i>(\$ amounts in thousands)</i>	2020	Restated 2019	\$ Change	% Change
Vacation accrual	\$ 19	\$ 18	\$ 1	6%
OPEB	70	56	14	25%
NPL	517	468	49	10%
Total	\$ 606	\$ 542	\$ 64	12%

Economic Factors and Next Year's Budgets and Rates

The budget was prepared to address only ongoing monthly and reoccurring activities. Capital spending will be addressed as it is needed as special projects and those dollar amounts will be outside the annual budget.

The 4 year average of burials per year remains close to 450 and the ash to full body burials have remained in the mid 30%. Average income per burial is about \$2,500. The non-resident fee structure was adjusted resulting in an increase over last year. Tax revenue has increased slightly. Burial fees associated with the labor intensive parts of the burials were increased to compensate for the increases in the minimum wage.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and customers with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Visalia Public Cemetery District, 1300 West Goshen Avenue, Visalia, CA 93291.

VISALIA PUBLIC CEMETERY DISTRICT

GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET POSITION
 JUNE 30, 2020

	General Fund	Pre-Need Fund	Veteran's Wall Fund
ASSETS			
Cash and cash equivalents	\$ 501,310	\$ 219,921	\$ 30,752
Accrued receivables	31,392	57,636	-
Stores inventory	63,726	-	-
Investments	891,023	509,682	-
Nondepreciable capital assets	-	-	-
Depreciable capital assets, net	-	-	-
Total Assets	1,487,451	787,239	30,752
DEFERRED OUTFLOWS OF RESOURCES			
	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
	\$ 1,487,451	\$ 787,239	\$ 30,752
LIABILITIES			
Accrued payables	\$ 57,971	\$ -	\$ -
Long-term liabilities, non-current	-	-	-
Total Liabilities	57,971	-	-
DEFERRED INFLOWS OF RESOURCES			
	-	-	-
FUND BALANCE / NET POSITION			
Fund Balance			
Non-spendable	64,026	-	-
Committed	1,169,545	-	-
Assigned	-	787,239	30,752
Unassigned	195,909	-	-
Net Position			
Net investment in capital assets	-	-	-
Restricted	-	-	-
Unrestricted	-	-	-
Total Fund Balance / Net Position	1,429,480	787,239	30,752
TOTAL LIABILITIES, DEFERRED OUTFLOWS OF RESOURCES, AND FUND BALANCE / NET POSITION			
	\$ 1,487,451	\$ 787,239	\$ 30,752

The accompanying notes are an integral part of these financial statements

Endowment Care Fund	Total Governmental Funds	Adjustments (Note 2-A.)	Statement of Net Position
\$ 990,638	\$ 1,742,621	\$ -	\$ 1,742,621
-	89,028	-	89,028
-	63,726	-	63,726
2,519,907	3,920,612	-	3,920,612
-	-	2,355,743	2,355,743
-	-	3,361,649	3,361,649
<u>3,510,545</u>	<u>5,815,987</u>	<u>5,717,392</u>	<u>11,533,379</u>
-	-	151,000	151,000
<u>\$ 3,510,545</u>	<u>\$ 5,815,987</u>	<u>\$ 5,868,392</u>	<u>\$ 11,684,379</u>
\$ -	\$ 57,971	\$ -	\$ 57,971
-	-	606,000	606,000
-	57,971	606,000	663,971
-	-	50,000	50,000
3,510,545	3,574,571	(3,574,571)	-
-	1,169,545	(1,169,545)	-
-	817,991	(817,991)	-
-	195,909	(195,909)	-
-	-	5,743,183	5,743,183
-	-	3,510,545	3,510,545
-	-	1,716,680	1,716,680
<u>3,510,545</u>	<u>5,758,016</u>	<u>5,212,392</u>	<u>10,970,408</u>
<u>\$ 3,510,545</u>	<u>\$ 5,815,987</u>	<u>\$ 5,868,392</u>	<u>\$ 11,684,379</u>

VISALIA PUBLIC CEMETERY DISTRICT

GOVERNMENTAL FUNDS STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

	General Fund	Pre-Need Fund	Veteran's Wall Fund
REVENUE			
Program Revenue:			
Charges for services	\$ 994,957	\$ 100,180	\$ -
Property taxes, general purpose	169,665	-	-
Revenue from use of money	159,379	18,698	3
Other revenues	81,008	-	1,700
Total Revenue	1,425,396	118,878	1,703
EXPENDITURES / EXPENSES			
Current:			
Salaries and wages	639,762	-	-
Benefits	252,330	-	-
Supplies	104,761	-	-
Services	331,033	3,214	-
Depreciation	-	-	-
Capital Outlay	340,001	-	-
Total Expenditures / Expenses	1,667,887	3,214	-
Excess (Deficiency) of Revenue over Expenditures/Expenses	(242,491)	115,664	1,703
OTHER FINANCING SOURCES/USES			
Transfers - internal activity	201,293	(115,000)	-
Loss from disposal of assets	-	-	-
Total Financing Sources/Uses	201,293	(115,000)	-
NET CHANGE IN FUND BALANCE / NET POSITION	(41,198)	664	1,703
Fund Balance / Net Position - Beginning	1,470,678	786,575	29,049
Fund Balance / Net Position - Ending	\$ 1,429,480	\$ 787,239	\$ 30,752

The accompanying notes are an integral part of these financial statements

Total			
Endowment Care Fund	Governmental Funds	Adjustments (Note 2-B.)	Statement of Activities
\$ 160,967	\$ 1,256,104	\$ -	\$ 1,256,104
-	169,665	-	169,665
196,684	374,764	-	374,764
-	82,708	-	82,708
<u>357,651</u>	<u>1,903,628</u>	<u>-</u>	<u>1,903,628</u>
-	639,762	1,000	640,762
-	252,330	64,000	316,330
-	104,761	-	104,761
-	334,247	-	334,247
-	-	223,454	223,454
-	340,001	(340,001)	-
<u>-</u>	<u>1,671,101</u>	<u>(51,547)</u>	<u>1,619,554</u>
357,651	232,527	51,547	284,074
(86,293)	-	-	-
-	-	(5,120)	(5,120)
<u>(86,293)</u>	<u>-</u>	<u>(5,120)</u>	<u>(5,120)</u>
271,358	232,527	46,427	278,954
3,239,187	5,525,489	5,165,965	10,691,454
<u>\$ 3,510,545</u>	<u>\$ 5,758,016</u>	<u>\$ 5,212,392</u>	<u>\$ 10,970,408</u>

VISALIA PUBLIC CEMETERY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1 - A. Financial Reporting Entity

The Visalia Public Cemetery District (“the District”) is a public cemetery formed in October of 1916 under Health and Safety Code § 9010. There is a five-person board of trustees (appointed by the Tulare County Board of Supervisors), which serves as the governance to the District.

1 - B. Other Related Entities

Joint Powers Authority (“JPA”). The District is associated with one JPA. This organization does not meet the criteria for inclusion as a component unit of the District. Additional information is presented in Note 12 to the financial statements. This organization is:

- ❖ Golden State Risk Management Authority (“GSRMA”)

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 (a) fees, fines, and charges paid by the recipients of goods or services offered by the cemetery and (b) grants and contributions restricted to meeting the operational or capital requirements of a particular program. 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.

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.

Pre-Need Fund. This fund is a special revenue fund, which accounts for the receipt of the District’s pre-need revenues, a substantial portion of which are assigned for use to at-need services.

The Veteran’s Wall Fund. This fund is a special revenue fund, which accounts for revenue from having a veteran’s name placed on the Veteran’s Wall. The financial resources are to be used for the maintenance and possible expansion of the Veteran’s Wall.

VISALIA PUBLIC CEMETERY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS, Continued JUNE 30, 2020

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 and 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, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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.

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.

Accrued Receivables. All trade and property tax receivables are shown as being 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.

Inventory. The value of the Visalia Public Cemetery District's inventory is stated at cost on the first-in, first-out basis. Inventory items in the governmental funds are offset by nonspendable fund balance to indicate that they will not be converted to cash.

VISALIA PUBLIC CEMETERY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS, Continued JUNE 30, 2020

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 \$5,000. 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. 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>
Building and improvements	20 – 40
Equipment	7 – 10

Accrued Liabilities. All payables, accrued liabilities, and long-term obligations 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, compensated absence balance 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.

Pension. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California Public Employee Retirement System (“Cal PERS”) and additions to/deductions from Cal PERS’ fiduciary net position have been determined on the same basis as they are reported by Cal PERS. 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.

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.

Restricted. The constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provision or by enabling legislation.

Committed. The District’s highest decision-making level of authority rests with the Board. Fund balance is reported as committed when the Board passes a resolution that places specified constraints on how resources may be used. The Board can modify or rescind a commitment of resources through passage of a new resolution.

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.

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

VISALIA PUBLIC CEMETERY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS, Continued JUNE 30, 2020

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. Property taxes are government mandated non-exchange transactions and are recognized when all eligibility requirements have been met. Secured property taxes are levied on or before the first business day of September of each year, and become a lien on real property on March 1 proceeding the fiscal year for which taxes are levied.

The first installment of secured taxes is due and payable November 1 and becomes delinquent December 12 at 5:00 p.m. The second installment is due and payable on February 1 and becomes delinquent on April 10 at 5:00 p.m. Unsecured taxes are due and payable on January 1 and become delinquent on August 31 at 5:00 p.m.

The County of Tulare bills and collects the taxes on behalf of the District. The District recognizes property tax revenues actually received as reported by the Tulare County Auditor-Controller.

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.

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 government-wide financial statements. For governmental funds, the current 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.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked for employees hired prior to May 1 of 2018. Employees hired May 1 2018 and after are capped at 240 hours of accrued time. The value of accumulated sick leave is recognized as a liability in the District's financial statements, and credit for unused sick leave is applicable to all employees who retire with 10 years or more of continuous service compensated at 50% value.

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.

1 - G. Stewardship, Compliance, and Accountability

Violation of Investment Policies. As of June 30, 2020, the District had \$235,570 of their investment portfolio outside of their authorized investment policy.

VISALIA PUBLIC CEMETERY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS, Continued
JUNE 30, 2020

The investment portfolio for the surplus investment portfolio can consist of no more than 30% of Negotiable Certificates of Deposit (“CDs”) and no more than 20% of mutual funds. As of June 30, 2020, the District had \$159,016 in excess CDs and \$76,159 in excess mutual funds.

Management will be presented addendums to the investment policy to address the investment policy violation and better align investment goals with constraints of execution.

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 **\$ 5,758,016**

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:	\$ 8,280,800	
Accumulated depreciation:	<u>(2,563,408)</u>	5,717,392

Long-term liabilities:

In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

Net Pension Liability (Asset)	517,000	
Net OPEB Obligation	70,000	
Compensated absences payable	<u>19,000</u>	(606,000)

Deferred outflows and inflows of resources relating to pensions:

In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.

Deferred outflows of resources relating to pensions	151,000
Deferred inflows of resources relating to pensions	<u>(50,000)</u>

Total Net Position - Governmental Activities: **\$ 10,970,408**

VISALIA PUBLIC CEMETERY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS, Continued
JUNE 30, 2020

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

Net Changes in Fund Balances - Total Governmental Funds **\$ 232,527**

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: \$	340,001	
Depreciation expense:	(223,454)	116,547

Gain or loss from disposal of capital assets:

In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain or loss is:

(5,120)

Compensated absences:

In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was:

(1,000)

Pensions:

In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was:

(50,000)

Postemployment benefits other than pensions ("OPEB"):

In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was:

(14,000)

Change in Net Position of Governmental Activities: **\$ 278,954**

VISALIA PUBLIC CEMETERY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS, Continued
 JUNE 30, 2020

NOTE 3 – DEPOSITS AND INVESTMENTS

3 - A. Summary of Deposit and Investment Balances

	Governmental
	Activities
Cash on hand	\$ 300
Deposits in financial institutions	886,145
Mutual funds	856,176
Total Cash and Cash Equivalents	\$ 1,742,621
Investments	\$ 3,920,612

3 - B. Policies and Practices

Endowment Care Principal Only:

<u>Security Type</u>	<u>Maximum Term Allowed</u>	<u>Maximum % of total Investments</u>
US T-bills, notes, bonds & Govt Agency	30 years	100%
Corporation obligations (A) rating	5 year*	30%
City, County, Municipal bonds	Unlimited	30%
State bonds	Unlimited	30%
Negotiable Certificates of Deposit (FDIC insured)	Unlimited	30%
Savings and Loan Certificates (FDIC insured) (Maximum \$100,000. Per institution)		
Local Agency Bonds	5 year*	15%
Bank Obligations (FNMA insured)	5 year*	5%
Bankers' Acceptance	270 days	5%
Commercial Paper	180 days	15%
Repurchase agreements	1 year	10%
Reverse repurchase agreements	92 days	20%
Corporation medium-through notes (A+)	5 year*	30%
Shares of beneficial interest	5 year*	15%
Mortgage pass-through securities (A+)	5 year*	20%
Shares of beneficial interest mutual funds (Limited to 10% of a single fund)	N/A	20%

* To meet the objectives of the investment policy, the 5-year maximum may be exceeded.

VISALIA PUBLIC CEMETERY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS, Continued
 JUNE 30, 2020

Surplus Money (Endowment care interest, capital outlay funds and pre-need funds):

Security Type	Maximum Term Allowed	Maximum % of Total Investments
US T-bills, notes, bonds & Govt Agency	5 year*	100%
Corporation obligations (A) rating	5 year*	30%
City, County, Municipal bonds	5 year*	30%
State bonds	5 year*	30%
Shares of beneficial interest mutual funds	N/A	
Negotiable Certificates of Deposit (FDIC insured)	Unlimited	30%
Savings and Loan Certificates (FDIC insured) (Maximum \$100,000. Per instruction)		
Local agency obligations	5 year*	15%
Bank Obligations (FNMA insured)	5 year*	5%
Bankers' Acceptance	270 days	5%
Commercial Paper	180 days	15%

3 - C. Cash Deposits

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, 2020, the carrying amount of the District's bank deposits was \$367,910, and the respective bank balances totaled \$446,700. Of the total bank balance, \$436,477 was insured through the FDIC. The remaining \$10,223 was collateralized with pooled securities held by the financial institutions' trust departments.

3 - D. Investments

Portfolio	S&P / Moody's Ratings	Fair Value Level	%	Fair Value	Maturities in years	
					< 1	1 - 5
Mutual funds ¹	NA	1	18%	\$ 856,176	\$ 856,176	\$ -
Certificates of deposit ¹	FDIC	1	31%	1,482,069	382,392	1,099,677
Municipal bonds	A+/A1 - Aa3		9%	453,225	-	453,225
U.S. agency obligations	Aaa	1	9%	417,671	45,360	372,311
Corporate medium term notes	A - AA	1	33%	1,567,647	242,742	1,324,905
Total Portfolio			100%	\$ 4,776,788	\$ 1,526,670	\$ 3,250,118

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.

There is a risk that, in the event of a counterparty failure, the District's investments may not be returned. As of June 30, 2020, the District had \$4,776,788 in their investment portfolio (including mutual/money market funds) held by the investment's counterparty. Of the total investment balance, \$500,000 was insured through the Securities Investor Protection Corporation ("SIPC"). The remaining \$4,276,788 was covered by additional securities coverage maintained by Stifel.

¹ Please see note 1 – G. Stewardship, Compliance, and Accountability

VISALIA PUBLIC CEMETERY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS, Continued
 JUNE 30, 2020

NOTE 4 – ACCRUED RECEIVABLES

Receivables at June 30, 2020, were as follows:

	General Fund	Pre-Need Fund	Total Governmental Funds
Taxes	\$ 8,403	\$ -	\$ 8,403
Rent	22,989	-	22,989
Contracts	-	57,636	57,636
Total Accrued Receivables	\$ 31,392	\$ 57,636	\$ 89,028

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020

	Balance Jul. 01, 2019	Additions	Deletions	Balance Jun. 30, 2020
Capital Assets Not Being Depreciated				
Land	\$ 2,297,352	\$ 58,391	\$ -	\$ 2,355,743
Construction in progress	25,791	-	25,791	-
Total Capital Assets Not Being Depreciated	\$ 2,323,143	\$ 58,391	\$ 25,791	\$ 2,355,743
Capital Assets Being Depreciated				
Structures and improvements	\$ 5,137,023	\$ 192,289	\$ 6,000	\$ 5,323,312
Equipment	512,424	89,321	-	601,745
Total assets being depreciated	5,649,447	281,610	6,000	5,925,057
Less Accumulated Depreciation				
Structures and improvements	2,103,517	128,776	880	2,231,413
Equipment	237,317	94,678	-	331,995
Accumulated depreciation	2,340,834	223,454	880	2,563,408
Total Capital Assets Being Being Depreciated, Net	\$ 3,308,613	\$ 58,156	\$ 5,120	\$ 3,361,649

VISALIA PUBLIC CEMETERY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS, Continued
 JUNE 30, 2020

NOTE 6 – INTERFUND ACTIVITY – INTERFUND TRANSFERS

Interfund Transfer Out	Interfund Transfer In General Fund
Pre-Need Fund	\$ 115,000
Endowment Care Fund	86,293
Total Interfund Transfer In	\$ 201,293
Pre-need transferred to the General Fund for cemetery and burials expenses	\$ 115,000
Endowment care interest investment account was transferred to the General Fund	86,293
Total	\$ 201,293

NOTE 7 – ACCRUED PAYABLES

Payables at June 30, 2020, were as follows:

	General Fund
Vendors	\$ 48,971
Compensated absences	9,000
Total Accrued Payables	\$ 57,971

NOTE 8 – LONG-TERM LIABILITIES

8 - A. Long-Term Liabilities Summary

Long-term liability activity for the year ended June 30, 2020 was as follows:

	Balance			Balance
	Jul. 01, 2019	Restatement	Additions	Jun. 30, 2020
Net pension liability ("NPL")	\$ 468,000	\$ -	\$ 49,000	\$ 517,000
Other postemployment benefits ("OPEB")	-	56,000	14,000	70,000
Compensated absences	18,000	-	1,000	19,000
Total Long-Term Liabilities	\$ 486,000	\$ 56,000	\$ 64,000	\$ 606,000

8 - B. Compensated Absences

The long-term portion of unpaid employee vacation for the year ended June 30, 2020 was \$ 19,000. The General Fund pays compensated absence balances

VISALIA PUBLIC CEMETERY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS, Continued
 JUNE 30, 2020

NOTE 9 – DEFINED BENEFIT PENSION

9 - A. General Information about the Pension Plan

Plan Description. The Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (“the Plan” or “PERF C”) is administered by the California Public Employees’ Retirement System (“CalPERS”). The Plan consists of a miscellaneous risk pool and a safety risk pool, which are comprised of individual employer miscellaneous and safety rate plans, respectively. Individual employers may sponsor more than one miscellaneous and safety rate plan. Each individual employer rate plan generally has less than 100 active members.

The Plan was established to provide retirement, death and disability benefits to public agency rate plans with generally less than 100 active members. The benefit provisions for PERF C employees are established by statute. A full description regarding the number of employees covered, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information for the respective rate plan is listed in the respective rate plan’s June 30, 2018 Annual Valuation Report (funding valuation). Details of the benefits provided can be obtained in Appendix B of the funding valuation report. This report and CalPERS’ audited financial statements are publicly available reports that can be found on CalPERS’ website at <https://www.calpers.ca.gov/page/forms-publications>.

Benefit Provided and Contributions. Per the Visalia Public Cemetery District June 30, 2017 actuarial valuation report for the pension plan, the following are the benefits and employee and employer contribution requirements

Member Category	Benefit Group	
	Misc. - Classic	Misc. – PEPRA
Benefit Formula	2% @ 60	2.0% @ 62
Social Security Coverage	Yes	Yes
Full/Modified	Modified	Full
Employee Contribution Rate	7.00%	6.25%
Final Avg. Compensation Period	Three Year	Three year
Non-Industrial Disability	Standard	Standard
Industrial Disability	No	No
Pre-Retirement Death Benefits		
Optional Settlement 2	Yes	Yes
Post-Retirement Death Benefits		
Lump Sum	\$500	\$500
COLA	2%	2%
Employer Contribution Rate	8.081%	6.985%
Employer Unfunded Liability	\$33,839	\$1,119
Total Employer Contributions:	\$48,650	\$27,490

VISALIA PUBLIC CEMETERY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS, Continued
JUNE 30, 2020

9 - B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2020, the District reported a liability of \$517,000 for its proportionate share of the net pension liability. The schedule of employer allocations for components of net pension liability provides allocation factors by employer for rate plans within the miscellaneous and safety risk pools based on the following allocation methodology:

The schedule of employer allocations for components of net pension liability includes two ratios:

- 1) Actuarial Accrued Liability – Determined based on the actuarial accrued liability from the most recent actuarial valuation report as of June 30, 2018 used for funding purposes.
- 2) Market Value of Assets – Determined based on the sum of the market value of assets from the most recent actuarial valuation report as of June 30, 2018 used for funding purposes plus supplemental payments made by employers during the current measurement period to reduce their unfunded actuarial accrued liabilities.

The schedule of employer allocations for components of net pension liability is based on actuarial valuation reports that are one year in arrears. As such, there will be a one-year lag between the time an employer enters the Plan and the fiscal year the employer is first included on the schedule of employer allocations for components of net pension liability. Employers joining the Plan during the fiscal year ended June 30, 2019, will be included in the schedule of employer allocations for components of net pension liability as of and for the fiscal year ended June 30, 2020.

The employers' proportionate share percentages of the miscellaneous and safety risk pools were first determined at the rate plan level. The employers' total proportion of the respective miscellaneous and safety risk pools reflects the sum of the proportions of the respective miscellaneous and safety rate plans.

When applying the allocation methodology to the collective miscellaneous or safety risk pool pension amounts, employers should determine proportionate shares using the employer allocation factors as follows:

- 1) Total Pension Liability (TPL) – Allocate based on the employer's share of the actuarial accrued liability.
- 2) Fiduciary Net Position (FNP) – Allocate based on the employer's share of the market value of assets plus additional payments.
- 3) Net Pension Liability (NPL) – After completing the above calculations, subtract FNP from TPL to calculate the employer's NPL.
- 4) Deferred Outflows of Resources, Deferred Inflows of Resources – Allocate based on the employer's share of the net pension liability as noted in 3) above.
- 5) Pension Expense – After completing the above calculations, calculate the employer's share of collective pension expense based on the employer's share of changes in net pension liability, changes in deferred outflows and deferred inflows of resources, and the employer's contributions for the fiscal year ended June 30, 2019. The schedule of collective pension amounts does not reflect employer-specific amounts such as changes in proportion and employer contributions to PERF C subsequent to the measurement date. Appropriate treatment of such amounts is the responsibility of the employers.

An employer's proportionate share of pension amounts for PERF C equals the sum of the employer's proportionate shares of pension amounts for the respective miscellaneous and safety risk pools

The District's proportions were as follows:

	<u>Jun. 30, 2019</u>	<u>Jun. 30, 2018</u>	<u>Difference</u>
Total Pension Liability Allocation Basis	0.0001518	0.0001540	-0.0000022
Fiduciary Net Position Allocation Basis	0.0001583	0.0001626	-0.0000043

VISALIA PUBLIC CEMETERY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS, Continued
JUNE 30, 2020

For the year ended June 30, 2020, the District recognized pension expense of \$24,000. At June 30, 2020, 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	Effect on Net Position
Differences between expected and actual experience	\$ 33,000	\$ -	\$ 33,000
Changes of assumptions	16,000	-	16,000
Net difference between projected and actual earnings on pension	-	9,000	(9,000)
Differences between Employer's Contributions and Proportionate Share of Contributions	-	41,000	(41,000)
Change in Employer's Proportion	26,000	-	26,000
District contributions subsequent to the measurement date	76,000	-	76,000
Total	\$ 151,000	\$ 50,000	\$ 101,000

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2021	103,000
2022	(7,000)
2023	3,000
2024	2,000
Total	\$ 101,000

9 - C. Actuarial Assumptions and Discount Rate Information

Actuarial Assumptions. The collective total pension liability for the June 30, 2019 measurement period was determined by an actuarial valuation as of June 30, 2018, with update procedures used to roll forward the total pension liability to June 30, 2019. The collective total pension liability was based on the following assumptions:

Investment rate of return	7.15%
Inflation	2.50%
Salary increases	Varies by Entry Age and Service
Mortality rate table ¹	Derived using CalPERS' Membership Data for all Funds Contract COLA up to 2.50% until Purchasing Power
Post-retirement benefit increase	Protection Allowance Floor on Purchasing Power applies

¹ The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

VISALIA PUBLIC CEMETERY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS, Continued
JUNE 30, 2020

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

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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The expected real rates of return by asset class are as followed:

Asset class¹	Assumed Asset Allocation	Real Return Years 1 - 10²	Real Return Years 11 +³
Global equity	50.00 %	4.80 %	5.98 %
Fixed income	28.00	1.00	2.62
Inflation assets	-	0.77	1.81
Private equity	8.00	6.30	7.23
Real assets	13.00	3.75	4.93
Liquidity	1.00	-	(0.92)

¹ In the System's CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-Term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

² An expected inflation of 2.00% used for this period.

³ An expected inflation of 2.92% used for this period.

Discount Rate. The discount rate used to measure the total pension liability for PERF C was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (-100 basis points) or one percentage point higher (+100 basis points) than the current rate:

	1% Decrease	Current	1% Increase
	(6.15%)	(7.15%)	(8.15%)
District's proportionate share of the net pension liability	\$ 884,000	\$ 517,000	\$ 214,000

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS Comprehensive Annual Financial Report.

VISALIA PUBLIC CEMETERY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS, Continued
JUNE 30, 2020

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (“OPEB”)

Plan description. All full-time employees of District who retire from the District with CalPERS and start withdrawing their retirement and have at least 15 years of continued service with the District will be entitled to health care premium reimbursement. **No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.**

Benefits Provided. The plan provides healthcare benefits for retirees the District, not to exceed \$500.00 per month for a period up to 5 years. Reimbursement shall be exclusively for the employee and does not cover the spouse or children.

Employees covered by benefit terms. At June 30, 2020, three employees have met the fifteen year requirement, and there are no retirees that have qualified.

Total OPEB Liability

The District’s total OPEB liability of \$70,000 was measured as of June 30, 2020, and was measured using the alternative measurement method discussed in GASB, Statement, 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, paragraphs 225 and 226.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2020 valuation was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate ¹	2.66%
Inflation ²	1.20%

¹ <https://www.spglobal.com/spdji/en/indices/fixed-income/sp-municipal-bond-20-year-high-grade-rate-index/#data>

² https://data.bls.gov/timeseries/CUUR0000SA0L1E?output_view=pct_12mths

Mortality rates and probability rates were based on the CalPERS tables (as appropriate to respective risk pools) located at <https://www.calpers.ca.gov/docs/public-agencies-schools-assumption-methods.xlsx>.

Changes in the Total OPEB Liability

Restated Balance at July 01, 2019	\$	56,000
Changes for the year:		
Service cost		12,000
Interest		2,000
Net changes		14,000
Balances at June 30, 2020	\$	70,000

VISALIA PUBLIC CEMETERY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS, Continued
 JUNE 30, 2020

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1.66%	2.66%	3.66%
District's proportionate share of the net OPEB liability	\$ 78,000	\$ 70,000	\$ 62,000

NOTE 11 – FUND BALANCE

Fund balance components at June 30, 2020, were as follows:

	General Fund	Pre-Need Fund	Verteran's Wall Fund	Endowment Care Fund	Total Govt. Funds
Nonspendable					
Revolving cash	\$ 300	\$ -	\$ -	\$ -	\$ 300
Inventory	37,935	-	-	-	37,935
Endowment care corpus	-	-	-	3,510,545	3,510,545
Total Nonspendable	38,235	-	-	3,510,545	3,548,780
Committed					
Expansion	502,019	-	-	-	502,019
Capital outlay/Endowment Care Interest	583,138	-	-	-	583,138
Health account	84,388	-	-	-	84,388
Total Committed	1,169,545	-	-	-	1,169,545
Assigned					
Pre-need services	-	787,239	-	-	787,239
Veteran's Wall maintenance	-	-	30,752	-	30,752
Total Assigned	-	787,239	30,752	-	817,991
Unassigned	195,909	-	-	-	195,909
Total Fund Balances	\$ 1,403,689	\$ 787,239	\$ 30,752	\$ 3,510,545	\$ 5,732,225

VISALIA PUBLIC CEMETERY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS, Continued
JUNE 30, 2020

NOTE 12 – PARTICIPATION IN A JOINT POWERS AUTHORITY

The District is a member of a joint powers authorities (JPAs), Golden State Risk Management Authority. They provide liability and property, workers’ compensation and auto liability insurance. The relationship is such that the JPA is not a component unit 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 the respective entities. During the year ended June 30, 2020, the District made payments of \$51,696.

NOTE 13 – RESTATEMENT

A prior-period adjustment was made to correct an oversight of not recognizing the District’s OPEB liability for an understatement of the Net Position starting in fiscal year 2011-12. The prior period restatement effect on net position is as follows:

	<u>General Fund</u>	<u>Statement of Net Position</u>
Net Position, June 30, 2019	\$ 1,444,887	\$ 5,247,756
Increase In:		
Inventory	25,791	-
Other postemployment benefits		(56,000)
Decrease In:		
Inventory	-	(25,791)
Restated Fund Balance/Net Position	\$ 1,470,678	\$ 5,165,965

REQUIRED SUPPLEMENTARY INFORMATION

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VISALIA PUBLIC CEMETERY DISTRICT

GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUE				
Program Revenue:				
Charges for services	\$ 1,021,289	\$ 1,021,289	\$ 994,957	\$ (26,332)
Operating grants and contributions	-	-	20,387	20,387
Property taxes, general purpose	140,000	140,000	169,665	29,665
Revenue from use of money	220,000	220,000	159,379	(60,621)
Other revenues	6,000	6,000	81,008	75,008
Total Revenue	1,387,289	1,387,289	1,425,396	38,107
EXPENDITURES				
Salaries, wages, and benefits	908,719	908,719	892,092	16,627
Supplies and services	371,570	371,570	435,794	(64,224)
Capital Outlay	3,500	3,500	340,001	(336,501)
Total Expenditures	1,283,789	1,283,789	1,667,887	(384,098)
Excess (Deficiency) of Revenue over Expenditures	103,500	103,500	(242,491)	(345,991)
OTHER FINANCING SOURCES				
Transfers - internal activity	-	-	201,293	201,293
NET CHANGE IN FUND BALANCE	103,500	103,500	(41,198)	(144,698)
Fund Balance - Beginning	1,470,678	1,470,678	1,470,678	
Fund Balance - Ending	\$ 1,574,178	\$ 1,574,178	\$ 1,429,480	\$ (144,698)

VISALIA PUBLIC CEMETERY DISTRICT

**PRE-NEED FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive / (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUE				
Program Revenue:				
Charges for services	\$ 68,000	\$ 68,000	\$ 100,180	\$ 32,180
Revenue from use of money	-	-	18,698	18,698
Total Revenue	68,000	68,000	118,878	50,878
EXPENDITURES				
Supplies and services	-	-	3,214	(3,214)
Excess (Deficiency) of Revenue over Expenditures	68,000	68,000	115,664	47,664
OTHER FINANCING SOURCES				
Transfers - internal activity	-	-	(115,000)	(115,000)
NET CHANGE IN FUND BALANCE	68,000	68,000	664	(67,336)
Fund Balance - Beginning	786,575	786,575	786,575	
Fund Balance - Ending	\$ 854,575	\$ 854,575	\$ 787,239	\$ (67,336)

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability (asset)	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%
District's proportionate share of the net pension liability (asset)	\$ 517,000	\$ 468,000	\$ 493,000	\$ 419,000	\$ 283,000	\$ 331,000
District's covered payroll	\$ 595,000	\$ 273,000	\$ 277,000	\$ 208,000	\$ 299,000	\$ 274,000
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	87%	171%	178%	201%	95%	121%
Plan fiduciary net position as a percentage of the total pension liability	78%	78%	75%	76%	80%	81%

The amounts presented for each fiscal year were determined as of June 30 of the prior fiscal year

VISALIA PUBLIC CEMETERY DISTRICT

SCHEDULE OF CONTRIBUTIONS

	<u>Jun 30, 2020</u>	<u>Jun 30, 2019</u>	<u>Jun 30, 2018</u>	<u>Jun 30, 2017</u>	<u>Jun 30, 2016</u>	<u>Jun 30, 2015</u>
Contractually required contribution	\$ 76,000	\$ 67,000	\$ 47,000	\$ 41,000	\$ 38,000	\$ 17,000
Contributions in relation to the contractually required contribution	(76,000)	(67,000)	(47,000)	(41,000)	(38,000)	(17,000)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	640,000	595,000	273,000	277,000	208,000	299,000
Contributions as a percentage of covered payroll	12%	11%	17%	15%	18%	6%

OTHER INDEPENDENT AUDITOR'S REPORT

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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
Visalia Public Cemetery District
Visalia

We have audited, 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, the financial statements of the governmental activities and each major fund of Visalia Public Cemetery District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Visalia Public Cemetery District's basic financial statements, and have issued our report thereon dated October 25, 2020.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered Visalia Public Cemetery District'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 Visalia Public Cemetery District's internal control. Accordingly, we do not express an opinion on the effectiveness of Visalia Public Cemetery District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described on the next page, we identified deficiency in internal control that we consider to be a material weakness.

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. We consider the deficiency described on the next page to be material weakness.

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.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Visalia Public Cemetery District'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*.

Material Weakness in Internal Control over Financial Reporting—Inadequate Chart of Accounts

Criteria:

Pursuant to Government Code §53891, the provisions of the Accounting Standards and Procedures for Special Districts accounting system are prescribed for all districts engaged in activities other than recognized enterprise activities. This system is designed for use by all governmental fund types. 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 accounting principles general accepted in the United States of America (“GAAP”) and prepare the Annual Report of Financial Transactions for Special Districts as required by the State Controller's Office.

Context:

The chart of accounts maintained by the district in their accounting software is insufficient for a government accounting application. This is due to the fact that each fund is not a self-balancing set of accounts. Additionally, there needs to be a set of accounts which are full accrual, while the fund accounts are modified accrual, as delineated in the Accounting Standards and Procedures for Special Districts.

Effect:

Without a robust enough chart of accounts, the District’s financial transactions are not entirely accounted for in accordance with GAAP. This extends to the budget development and presentation as well.

Cause:

Unknown

Recommendation:

Management and the board should consider a formal evaluation of the current chart of accounts and develop a new set of accounts or use the accounts as prescribed in the Accounting Standards and Procedures for Special Districts. The entity might consider soliciting the assistance of an accountant to assist in the development / implementation of a new chart of accounts

Views of Responsible Official(s) and Planned Corrective Actions:

The District is working with an accountant/QuickBooks expert that has assisted us with the adjustments to the chart of accounts. The asset, liability and equity have all been identified by fund. Next, we will set up the 4 funds as entities. We will also work with the accountant to split out the investment transactions each month (not net them) so there is a clearer audit trail.

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.

October 25, 2020

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