

**VISALIA PUBLIC CEMETERY DISTRICT**

**ANNUAL FINANCIAL REPORT**

**JUNE 30, 2017**

**VISALIA PUBLIC CEMETERY DISTRICT**

**VISALIA, CALIFORNIA**

**JUNE 30, 2017**

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<b>MEMBER</b>	<b>OFFICE</b>	<b>TERM EXPIRES</b>
Geneva Philpot	Chair	January 2020
Shirley Salas	Vice Chair	January 2021
Tom Johnson	Secretary	January 2021
Tom Link	Trustee	January 2021
George Ouzounian	Trustee	January 2020

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**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.

**VISALIA PUBLIC CEMETERY DISTRICT**

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**JUNE 30, 2017**

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*FINANCIAL SECTION*

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DENNIS COOPER  
AND  
ASSOCIATES  
CERTIFIED PUBLIC ACCOUNTANTS

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, 2017, 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, 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, budgetary comparison information and, pension schedules on pages 4-9 and 33-35, 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 January 25, 2018 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.

Dennis Cooper & Associates C.P.A.s

January 25, 2018

# 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, 2017. It should be read in conjunction with the District's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The District's net position decreased over the course of this year's operations.
- During the year, the District's expenses of \$1.6 million was \$0.1 million more than the \$1.5 million generated in taxes and other revenues for governmental programs (before special items).
- The general fund reported a decrease in fund balance this year of \$0.1 million.
- The resources available for appropriation were \$0.1 million more than budgeted for the general fund. However, we kept expenditures below spending limits.

VISALIA PUBLIC CEMETERY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued  
JUNE 30, 2017

OVERVIEW OF FINANCIAL STATEMENTS

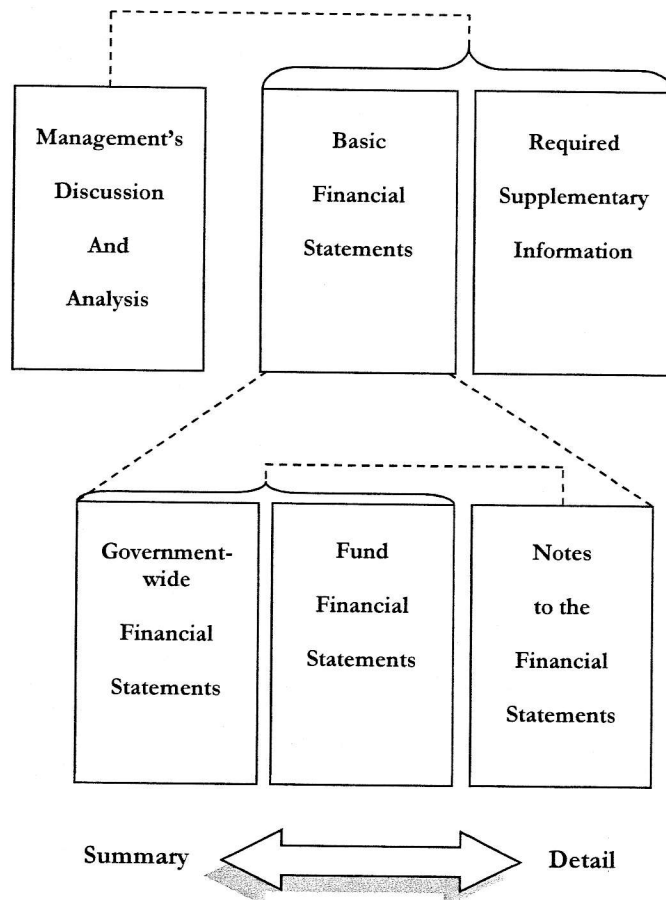
Components of the Financials Section

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, 2017

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"> <li>➤ Statement of net position</li> <li>➤ Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>➤ Balance sheet</li> <li>➤ Statement of revenues, expenditures, and changes in fund balances</li> </ul>
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, 2017

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 net position decreased between fiscal years 2016 and 2017—to approximately \$10.2 million. (See Table 1.) In comparison, last year net position decreased to \$10.3 million. This was attributed to revaluing investments to market value (reduction of assets by about \$0.1 million), though the overall operation improved, the pension liability also increased due to worse market performance for the measurement year.

**Table 1 - Net Position**

(\$ amounts in thousands)	2017	Restated 2016	\$ Change	% Change
Current and other assets	\$ 1,714	\$ 1,101	\$ 613	56%
Non-current assets	8,927	9,637	(710)	-7%
<b>Total Assets</b>	10,641	10,738	(97)	-1%
<b>Deferred outflows of resources</b>	148	27	121	448%
Current liabilities	50	51	(1)	-2%
Non-current liabilities	431	334	97	29%
<b>Total Liabilities</b>	481	385	96	25%
<b>Deferred inflows of resources</b>	70	42	28	67%
Net position				
Net investment in capital assets	6,395	6,596	(201)	-3%
Restricted	2,745	2,739	6	0%
Unrestricted	1,098	1,003	95	9%
<b>Total Net Position</b>	\$ 10,238	\$ 10,338	\$ (100)	-1%

**Changes in net position.** The District's total revenues (excluding special items) increased by nine percent to \$1.5 million. (See Table 2.) Most of the District's revenue comes from charges for services, and almost ten cents of every dollar raised comes from some type of tax. The final ten percent, or so, comes from investment income (rent, interest, and dividends), and some miscellaneous revenue.

VISALIA PUBLIC CEMETERY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued  
 JUNE 30, 2017

Most likely due to the absence of embezzlement in the current year increased the program revenue. Increases in expenses are attributed to change in pension liability as well as deferred maintenance.

Table 2 - Changes in Net Position

(\$ amounts in thousands)	2017	Restated 2016	\$ Change	% Change
Program revenue	\$ 1,255	\$ 1,146	\$ 109	10%
General revenue	255	240	15	6%
<b>Total Revenue</b>	1,510	1,386	124	9%
Salaries and benefits	382	670	(288)	-43%
Supplies and services	1,027	285	742	260%
Other charges	201	210	(9)	-4%
<b>Total Expenses</b>	1,610	1,165	445	38%
<b>Excess (Deficiency) before special items and transfers</b>	(100)	221	(321)	-145%
Special items	-	(339)		0%
<b>Decrease in net position</b>	\$ (100)	\$ (118)	\$ (321)	272%

**Financial Analysis of the District's Funds**

As the District completed the year, its governmental funds reported a *combined* fund balance of \$4.2 million, above last year. Included in this year's total change in fund balance, however, is a loss of \$0.1 million in the District's general fund. The primary reasons for the general fund's losses mirror those highlighted in the analysis of governmental activities.

**General Fund Budgetary Highlights**

On July 1, 2016 the District hired a new manager who put together the budget in July of 2016 and formulated it for 2016/2017 based solely on the history of income and expenses and the knowledge gleaned in a few weeks as to changes expected over the next year.

Over the next couple of months, it was discovered that there had been an embezzlement scheme in place for at least the previous fiscal. The embezzlement included under-reported income as well as extreme deferred maintenance which resulted in reduced expenses.

The new Manager, with the agreement of the Board of Trustees moved forward with long overdue maintenance and repairs which increased the expenses over budgeted amounts. Income was higher than expected since all income was being deposited at the bank since the embezzlement stopped. (The budget had been prepared using bogus amounts that were due to the embezzlement)

It is the opinion and expectation of the Manager and the Board that it will take up to a total of 3 years for the expenses to return to "a new normal" after the deferred issues are dealt with. This includes maintenance and upkeep of the properties that the cemetery owns surrounding the property for future expansion. Insurance is in the process of reimbursement of the verified embezzlement losses. Income will also be affected since all deposits are being made, the fee for the use of credit card payments was eliminated, fees for services were adjusted and the appropriate inter-fund transfers are being processed.



VISALIA PUBLIC CEMETERY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued  
 JUNE 30, 2017

**Capital Asset and Debt Administration**

**Capital Assets**

At the end of 2017, the District had invested \$10.1 million in land, buildings and improvements, as well as various equipment. (See Table 3.) The only change is the increase in accumulated depreciation.

**Table 3 - Capital Assets**

<i>(\$ amounts in thousands)</i>	2017	2016	\$ Change	% Change
Land	\$ 1,665	\$ 1,665	-	0%
Buildings and improvements	7,480	7,480	-	0%
Equipment	945	945	-	0%
Less accumulated depreciation	(3,695)	(3,494)	(201)	6%
<b>Total</b>	<b>\$ 6,395</b>	<b>\$ 6,596</b>	<b>\$ (201)</b>	<b>-3%</b>

The District's fiscal year 2018 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 \$0.4 million in pension liabilities and vacation accrual, an increase of twenty-nine 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>	2017	2016	\$ Change	% Change
Vacation accrual	\$ 12	-	\$ 12	n/a
NPL	419	334	85	25%
<b>Total</b>	<b>\$ 431</b>	<b>\$ 334</b>	<b>\$ 97</b>	<b>29%</b>

**Economic Factors and Next Year's Budgets and Rates**

We used our actuals from 2016/2017 as a base, knowing that the income reported was now true since all income was being deposited at the bank. We had completed a lot of deferred maintenance, but still have lots to go. We expected a reduction in rental net income due to deferred maintenance and have since found out it was much worse than expected. The Board has instructed management and Mill Creek management to use the rent monies to fix up the rentals. We included costs and expenses related to the investigation of the embezzlement loss. We expect reimbursements from the insurance company for the losses, but don't know the timing on those. Tax revenue is expected to remain about the same. Management and the Board's focus for the immediate future (next 2 to 3 years) is "righting the ship" if you will.

**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, 2017

	General Fund	Pre-Need Fund	Veteran's Wall Fund
<b>ASSETS</b>			
Cash and cash equivalents	\$ 360,061	\$ 240,991	\$ 21,544
Accrued receivables	5,832	21,548	-
Internal balances	(55,169)	55,169	-
Investments	56,931	321,572	-
Nondepreciable capital assets	-	-	-
Depreciable capital assets, net	-	-	-
<b>Total Assets</b>	<b>367,655</b>	<b>639,280</b>	<b>21,544</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
	-	-	-
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 367,655</b>	<b>\$ 639,280</b>	<b>\$ 21,544</b>
<b>LIABILITIES</b>			
Accrued payables	\$ 50,432	\$ -	\$ -
Long-term liabilities, non-current	-	-	-
<b>Total Liabilities</b>	<b>50,432</b>	<b>-</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
	-	-	-
<b>FUND BALANCE / NET POSITION</b>			
<b>Fund Balance</b>			
Non-spendable	300	-	-
Assigned	-	639,280	21,544
Unassigned	316,923	-	-
<b>Net Position</b>			
Net investment in capital assets	-	-	-
Restricted	-	-	-
Unrestricted	-	-	-
<b>Total Fund Balance / Net Position</b>	<b>317,223</b>	<b>639,280</b>	<b>21,544</b>
<b>TOTAL LIABILITIES, DEFERRED OUTFLOWS OF RESOURCES, AND FUND BALANCE / NET POSITION</b>	<b>\$ 367,655</b>	<b>\$ 639,280</b>	<b>\$ 21,544</b>

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
\$ 1,063,620	\$ 1,686,216	\$ -	\$ 1,686,216
-	27,380	-	27,380
-	-	-	-
2,154,154	2,532,657	-	2,532,657
-	-	1,664,621	1,664,621
-	-	4,730,808	4,730,808
<u>3,217,774</u>	<u>4,246,253</u>	<u>6,395,429</u>	<u>10,641,682</u>
-	-	148,000	148,000
<u>\$ 3,217,774</u>	<u>\$ 4,246,253</u>	<u>\$ 6,543,429</u>	<u>\$ 10,789,682</u>
\$ -	\$ 50,432	\$ -	\$ 50,432
-	-	431,000	431,000
-	50,432	431,000	481,432
-	-	70,000	70,000
2,744,817	2,745,117	(2,745,117)	-
472,957	1,133,781	(1,133,781)	-
-	316,923	(316,923)	-
-	-	6,395,429	6,395,429
-	-	2,744,817	2,744,817
-	-	1,098,004	1,098,004
<u>3,217,774</u>	<u>4,195,821</u>	<u>6,042,429</u>	<u>10,238,250</u>
<u>\$ 3,217,774</u>	<u>\$ 4,246,253</u>	<u>\$ 6,543,429</u>	<u>\$ 10,789,682</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, 2017

	General Fund	Pre-Need Fund	Veteran's Wall Fund
<b>REVENUE</b>			
Program Revenue:			
Charges for services	\$ 1,054,934	\$ 41,351	\$ -
Operating grants and contributions	-	-	1,902
Property taxes, general purpose	145,168	-	-
Revenue from use of money	104,103	10,069	-
Other revenues	3,557	-	-
<b>Total Revenue</b>	<b>1,307,762</b>	<b>51,420</b>	<b>1,902</b>
<b>EXPENDITURES / EXPENSES</b>			
Current:			
Salaries and wages	283,404	-	-
Benefits	93,950	-	-
Supplies	107,732	-	-
Services	918,608	-	-
Depreciation	-	-	-
<b>Total Expenditures / Expenses</b>	<b>1,403,694</b>	<b>-</b>	<b>-</b>
<b>Excess (Deficiency) of Revenue over Expenditures/Expenses</b>	<b>(95,932)</b>	<b>51,420</b>	<b>1,902</b>
<b>OTHER FINANCING SOURCES/USES</b>			
Transfers - internal activity	18,000	(18,000)	-
<b>NET CHANGE IN FUND BALANCE / NET POSITION</b>	<b>(77,932)</b>	<b>33,420</b>	<b>1,902</b>
<b>Fund Balance / Net Position - Beginning (Restated)</b>	<b>395,155</b>	<b>605,860</b>	<b>19,642</b>
<b>Fund Balance / Net Position - Ending</b>	<b>\$ 317,223</b>	<b>\$ 639,280</b>	<b>\$ 21,544</b>

The accompanying notes are an integral part of these financial statements

Endowment Care Fund	Total Governmental Funds	Adjustments (Note 2-B.)	Statement of Activities
\$ 156,977	\$ 1,253,262	\$ -	\$ 1,253,262
-	1,902	-	1,902
-	145,168	-	145,168
(8,229)	105,943	-	105,943
-	3,557	-	3,557
148,748	1,509,832	-	1,509,832
-	283,404	12,000	295,404
-	93,950	(6,994)	86,956
-	107,732	-	107,732
-	918,608	-	918,608
-	-	200,906	200,906
-	1,403,694	205,912	1,609,606
148,748	106,138	(205,912)	(99,774)
-	-	-	-
148,748	106,138	(205,912)	(99,774)
3,069,026	4,089,683	6,248,341	10,338,024
\$ 3,217,774	\$ 4,195,821	\$ 6,042,429	\$ 10,238,250

# VISALIA PUBLIC CEMETERY DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

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### ***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 11 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 TOT THE FINANCIAL STATEMENTS, Continued  
JUNE 30, 2017

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**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.

The District's recurring fair value measurements as of June 30, 2017, are for the District's portfolio of \$3,920,298, which is valued using quoted market prices (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.

**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.

VISALIA PUBLIC CEMETERY DISTRICT

NOTES TOT THE FINANCIAL STATEMENTS, Continued  
JUNE 30, 2017

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**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. 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>
Building and improvements	20 – 40
Equipment	7 – 10

**Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Due from other funds/Due to other funds." These amounts are eliminated in the governmental activities columns of the statement of net position.

**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.

# VISALIA PUBLIC CEMETERY DISTRICT

## NOTES TOT THE FINANCIAL STATEMENTS, Continued JUNE 30, 2017

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*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.

### **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, 2016 and becomes delinquent December 12, 2016 at 5:00 p.m. The second installment is due and payable on February 1, 2017 and becomes delinquent on April 10, 2017 at 5:00 p.m. Unsecured taxes are due and payable on January 1, 2016 and become delinquent on August 31, 2016 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.



# VISALIA PUBLIC CEMETERY DISTRICT

## NOTES TOT THE FINANCIAL STATEMENTS, Continued JUNE 30, 2017

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### **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. The non-current portion of the liability is not reported.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. 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. At retirement, each member will receive .004 year of service credit for each day of unused sick leave.

### **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. And 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.

### **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.

VISALIA PUBLIC CEMETERY DISTRICT

NOTES TOT THE FINANCIAL STATEMENTS, Continued  
 JUNE 30, 2017

- ❖ 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](http://www.gasb.org).

**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** \$ 4,195,821

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:	\$ 10,089,979	
Accumulated depreciation:	<u>(3,694,550)</u>	6,395,429

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)	419,000	
Compensated absences payable	<u>12,000</u>	(431,000)

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	148,000	
Deferred inflows of resources relating to pensions	<u>(70,000)</u>	

**Total Net Position - Governmental Activities:** \$ 10,238,250

VISALIA PUBLIC CEMETERY DISTRICT

NOTES TOT 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** \$ 106,138

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:

Depreciation expense: (200,906)

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:

(12,000)

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:

6,994

**Change in Net Position of Governmental Activities:** **\$ (99,774)**

**NOTE 3 – DEPOSITS AND INVESTMENTS**

**3 - A. Summary of Deposit and Investment Balances**

	<b>Governmental Activities</b>
Cash on hand	\$ 300
Deposits in financial institutions	298,275
Mutual funds	1,387,641
<b>Total Cash and Cash Equivalents</b>	<b>\$ 1,686,216</b>
Investments	<b>\$ 2,532,657</b>

**VISALIA PUBLIC CEMETERY DISTRICT**

**NOTES TOT THE FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2017**

**3 - B. Policies and Practices**

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

<b>INVESTMENT TYPE</b>	<b>MAXIMUM MATURITY</b>	<b>MAXIMUM SPECIFIED % OF PORTFOLIO</b>	<b>MINIMUM QUALITY REQUIREMENTS</b>
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

**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, 2017, the carrying amount of the District's bank deposits was \$381,305, and the respective bank balances totaled \$340,792, all of which was insured through the FDIC.

VISALIA PUBLIC CEMETERY DISTRICT

NOTES TOT THE FINANCIAL STATEMENTS, Continued  
 JUNE 30, 2017

3 - D. Investments

Portfolio	Moody's Rating	%	Fair Value	Maturities in years			
				< 1	1 - 5	6 - 10	More than 10
Money market/mutual funds <sup>1</sup>	NA	35%	\$1,387,641	\$1,387,641	\$ -	\$ -	\$ -
Collateralized mortgage obligations ("CMOs") <sup>2</sup>	Not rated	3%	107,929	-	-	-	107,929
U.S. agency obligations <sup>3</sup>	AAA <sup>4</sup>	15%	588,769	-	252,581	336,188	-
Certificates of deposit <sup>3</sup>	FDIC	28%	1,081,929	295,011	687,187	99,731	-
Corporate medium term notes	A2 - A3	19%	754,030	156,698	597,332	-	-
<b>Total Portfolio</b>		100%	\$3,920,298	\$1,839,350	\$1,537,100	\$ 435,919	\$ 107,929

*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, 2017, the District had \$3,920,298 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 \$3,420,298 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.

*Violations of Investment Policy.* As of June 30, 2017, the District had \$1,247,224 of their investment portfolio outside of their authorized investment policy.

<sup>1</sup> Per the investment policy on the previous page, the maximum allocation of the portfolio of money market/mutual funds is twenty percent. The District's position is 35%, which equates to \$603,581 in excess of allowed allocation.

<sup>2</sup> While CMOs in and of themselves, can be allowable, the requirements for them are they be rated "A" or better and have a maximum maturity of five years. As of June 30, 2017, the District's position of \$107,929 in CMOs were outside of the allowed investment policy due to not being rated and with maturities in excess of five years.

<sup>3</sup> Most investment vehicles allowed by the investment policy have a maximum maturity of five years. As of June 30, 2017 the District had \$435,919 of their portfolio in excess of the five year maximum maturity through positions in both certificates of deposit and U.S. Agency Obligations.

<sup>4</sup> One of the U.S. Agency issuers in the District's portfolio, Federal Agric Mtg Corporation, has an "implicit" guarantee of its debt securities, and as a result is not rated by Moddy's. As of June 30, 2017, the district's position in said issuer is \$99,795.

VISALIA PUBLIC CEMETERY DISTRICT

NOTES TOT THE FINANCIAL STATEMENTS, Continued  
 JUNE 30, 2017

**NOTE 4 – ACCRUED RECEIVABLES**

Receivables at June 30, 2017, were as follows:

	General Fund	Pre-Need Fund	Total Governmental Funds
Taxes	\$ 5,632	\$ -	\$ 5,632
Rent	200	-	200
Contracts	-	21,548	21,548
<b>Total Accrued Receivables</b>	<b>\$ 5,832</b>	<b>\$ 21,548</b>	<b>\$ 27,380</b>

**NOTE 5 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2017

	Balance Jul. 01, 2016	Additions	Balance Jun. 30, 2017
<b>Capital Assets Not Being Depreciated</b>			
Land	\$ 1,664,621	\$ -	\$ 1,664,621
<b>Capital Assets Being Depreciated</b>			
Structures and improvements	7,479,923		7,479,923
Equipment	945,435		945,435
Total assets being depreciated	8,425,358	-	8,425,358
<b>Accumulated depreciation</b>	3,493,644	200,906	3,694,550
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 4,931,714</b>	<b>\$ (200,906)</b>	<b>\$ 4,730,808</b>

VISALIA PUBLIC CEMETERY DISTRICT

NOTES TOT THE FINANCIAL STATEMENTS, Continued  
 JUNE 30, 2017

**NOTE 6 – INTERFUND ACTIVITY**

**6 - A. Balances (Due From/Due To)**

Due to Other Funds	<u>Due From Other Funds</u> Pre-Need Fund
<b>General Fund</b>	\$ 55,169
The General Fund owes the Pre-Need for cash collected, not yet transferred in the amount of	\$ 55,169

**6 - B. Transactions (Transfers In/Out)**

Interfund Transfer Out	<u>Interfund Transfer In</u> Pre-Need Fund
<b>General Fund</b>	\$ 18,000
The Pre-Need Fund transferred to the General Fund for post employment benefits	\$ 18,000

**NOTE 7 – ACCRUED PAYABLES**

Payables at June 30, 2017, were as follows:

	<u>General Fund</u>
Vendors	\$ 44,432
Compensated absences	6,000
<b>Total Accrued Payables</b>	\$ 50,432

VISALIA PUBLIC CEMETERY DISTRICT

NOTES TOT THE FINANCIAL STATEMENTS, Continued  
JUNE 30, 2017

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**NOTE 8 – LONG-TERM LIABILITIES**

**8 - A. Long-Term Liabilities Summary**

Long-term liability activity for the year ended June 30, 2017 was as follows (in thousands):

	Balance Jul. 01, 2016	Additions	Balance Jun. 30, 2017
Net pension liability ("NPL")	\$ 333,676	\$ 85,324	\$ 419,000
Compensated absences	-	12,000	12,000
<b>Total Long-Term Liabilities</b>	<b>\$ 333,676</b>	<b>\$ 97,324</b>	<b>\$ 431,000</b>

**8 - B. Compensated Absences**

The long-term portion of unpaid employee vacation for the year ended June 30, 2017 was \$ 12,000. The General Fund pays compensated absence balances

**NOTE 9 – DEFINED BENEFIT PENSION**

**9 - A. General Information about the Pension Plan**

**Plan Description**

The California Public Employees’ Retirement System (“CalPERS” or the System) is a cost-sharing, multiple-employer defined benefit public pension fund. CalPERS provides retirement benefit services for state, school, and public employers. Governed by a 13-member Board of Administration consisting of member-elected, appointed, and ex officio members. Established by legislation in 1931, the System became operational in 1932 to provide retirement to state employees. In 1939, new legislation allowed public agency and classified school employees to join CalPERS for retirement benefits. The benefits for the public agencies are established by contract with the System, in accordance with the provisions of the Public Employees’ Retirement Law. CalPERS issues a publicly available financial report that can be obtained at <https://www.calpers.ca.gov/docs/forms-publications/cafr-2016.pdf>.

For accounting purposes only, Public Employees’ Retirement Fund (“PERF”) is comprised of and reported as three separate entities. PERF A is comprised of agent multiple-employer plans, which includes the State of California and most public agencies’ rate plans with more than 100 active members. PERF B is a cost-sharing multiple employer plan of school employers consisting of non-teaching and non-certified employees. PERF C is a cost-sharing multiple-employer plan of public agencies with generally less than 100 active members. The District’s NPL is a part of PERF B



VISALIA PUBLIC CEMETERY DISTRICT

NOTES TOT THE FINANCIAL STATEMENTS, Continued  
JUNE 30, 2017

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**Benefits Provided**

The benefits for the defined benefit plans are based on members' years of service, age, final compensation, and benefit formula. The District's part of the Miscellaneous Plan risk pool, with a benefit formula of 2.0% @ 60 (more detailed calculation can be found in Appendix B in Section 2 of the Risk Pool Valuation Report. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years (10 years for state Second Tier members) of credited service. All non-state Second Tier members are eligible to receive cost-of-living (COLA) adjustments up to a maximum of 2 percent compounded annually (up to 5 percent maximum as a contract option for retired members of local agencies). State Second Tier members are eligible for a COLA of 3 percent fixed compounded annually.

**Contributions**

The CalPERS Annual Valuation Report for Visalia Public Cemetery District as of June 30, 2014, reported 2016-17 required employer contributions to be 7.159% of creditable salaries for the "Employer Normal Cost Rate," plus \$23,970 for the "Employer Payment of Unfunded Liability." The report also reported an employee contribution rate of 7.00%. Contributions to the pension plan from the District was \$41,361 for the year ended June 30, 2017.

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

At June 30, 2017, the District reported a liability of \$419,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating agencies, actuarially determined. The District's proportion was calculated as follows:

	<u>Jun. 30, 2016</u>	<u>Jun. 30, 2015</u>	<u>Difference</u>
Total Pension Liability Allocation Basis	0.0001497	0.0001561	-0.0000064
Fiduciary Net Position Allocation Basis	0.0001589	0.0001693	-0.0000104
Deferred Outflows/Inflows of Resources and Pension Expense Allocation Basis	0.0001107	0.0000575	0.0000532

**VISALIA PUBLIC CEMETERY DISTRICT**

**NOTES TOT THE FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2017**

For the year ended June 30, 2017, the District recognized pension expense of \$34,367. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 1,000	\$ -
Changes of assumptions	-	13,000
Net difference between projected and actual earnings on pension plan investments	106,000	40,000
Changes in proportion and differences between District contributions and proportionate share of contributions	-	17,000
District contributions subsequent to the measurement date	41,000	-
<b>Total</b>	<b>\$ 148,000</b>	<b>\$ 70,000</b>

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:**

2018	71,000	33,000
2019	30,000	32,000
2020	30,000	5,000
2021	17,000	-
<b>Total</b>	<b>\$ 148,000</b>	<b>\$ 70,000</b>

**9 - C. Actuarial Assumptions and Discount Rate Information**

**Actuarial Assumptions**

The total pension liabilities/(assets) were determined by actuarial valuations as of June 30, 2015, by fund, which were rolled forward to June 30, 2016, using the following actuarial assumptions:

Inflation rate	2.75%
Salary increases	Varies by Entry Age and Service
Mortality Rate Table <sup>1</sup>	Derived using CalPERS membership data for all funds
Period Upon Which Actuarial Experience Survey Assumptions Were Based	1997-2011
Post-Retirement Benefit Increase	Contract COLA up to 2.75% until PPPA floor on purchasing power applies, 2.75% thereafter
Discount Rate	7.65%

<sup>1</sup> The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the April 2014 experience study report (based on CalPERS demographic data from 1997 to 2011) available online at <https://www.calpers.ca.gov/docs/forms-publications/calpers-experiencestudy-2014.pdf>.

VISALIA PUBLIC CEMETERY DISTRICT

NOTES TOT THE FINANCIAL STATEMENTS, Continued  
 JUNE 30, 2017

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

In determining the long-term expected rate of return, staff 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 (11-60 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 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 equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The tables below reflect long-term expected real rates of return by asset class. The rates of return were calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

Asset Class	Assumed Asset Allocation	Real Return Years 1 – 10 <sup>1</sup>	Real Return Years 11+ <sup>2</sup>
Global Equity	51.0%	5.25%	5.71%
Global Debt Securities	20.0%	0.99%	2.43%
Inflation Assets	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	1.0%	(0.55%)	(1.05%)

<sup>1</sup> An expected inflation rate of 2.50% used for this period.

<sup>2</sup> An expected inflation rate of 3.00% used for this period.

**Discount Rate**

The discount rates used to measure the total pension liability for the PERF C was 7.65%. To determine whether the municipal bond rate should be used in the calculation of a discount rate, the amortization and smoothing periods recently adopted by the Board were used. For the PERF C, the crossover test was performed for a miscellaneous agent plan and a safety agent plan selected as being more at risk of failing the crossover test and resulting in a discount rate that would be different from the long-term expected rate of return on pension investments. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the PERF C.

VISALIA PUBLIC CEMETERY DISTRICT

NOTES TOT THE FINANCIAL STATEMENTS, Continued  
 JUNE 30, 2017

**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 (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
District's proportionate share of the net pension liability	\$ 653,000	\$ 419,000	\$ 226,000

**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.

**NOTE 10 – FUND BALANCE**

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

	General Fund	Pre-Need Fund	Verteran's Wall Fund	Endowment Care Fund	Total Governmental Funds
<b>Nonspendable</b>					
Revolving cash	\$ 300	\$ -	\$ -	\$ -	\$ 300
Endowment care corpus	-	-	-	2,744,817	2,744,817
<b>Total Nonspendable</b>	<b>300</b>	<b>-</b>	<b>-</b>	<b>2,744,817</b>	<b>2,745,117</b>
<b>Assigned</b>					
Pre-need services	-	639,280	-	-	639,280
Veteran's Wall maintenance	-	-	21,544	-	21,544
Cemetery care	-	-	-	472,957	472,957
<b>Total Assigned</b>	<b>-</b>	<b>639,280</b>	<b>21,544</b>	<b>472,957</b>	<b>1,133,781</b>
Unassigned	316,923				316,923
<b>Total Fund Balances</b>	<b>\$ 317,223</b>	<b>\$ 639,280</b>	<b>\$ 21,544</b>	<b>\$ 3,217,774</b>	<b>\$ 4,195,821</b>

VISALIA PUBLIC CEMETERY DISTRICT

NOTES TOT THE FINANCIAL STATEMENTS, Continued  
 JUNE 30, 2017

**NOTE 11 – 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, 2017, the District made payments of \$24,000.

**NOTE 12 - RESTATEMENT**

Due to a change in accounting principle the following funds and net position has been restated as follows:

	General Fund	Veteran's Wall Fund	Endowment Care Fund	Statement of Net Position
Fund Balance/Net Position, June 30, 2016	\$ 5,930,999	\$ 732,141	\$ 3,178,876	\$ -
Increase In:				
Capital assets	-	-		6,596,337
Deferred outflows of resources	-	-		27,382
NPL	-	-		(333,676)
Deferred inflows of resources	-	-		(41,700)
Decrease In:				
Investments	-	-	(109,850)	-
Capital assets	(5,883,838)	(712,499)	-	-
Deferred outflows of resources	(27,382)	-	-	-
NPL	333,676	-	-	-
Deferred inflows of resources	41,700	-	-	-
<b>Restated Fund Balance/Net Position</b>	<b>\$ 395,155</b>	<b>\$ 19,642</b>	<b>\$ 3,069,026</b>	<b>\$ 6,248,343</b>

VISALIA 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)
<b>REVENUE</b>				
Program Revenue:				
Charges for services	\$ 856,460	\$ 856,460	\$ 1,054,934	\$ 198,474
Operating grants and contributions	100,000	100,000	-	(100,000)
Property taxes, general purpose	139,000	139,000	145,168	6,168
Revenue from use of money	107,000	107,000	104,103	(2,897)
Other revenues	4,550	4,550	3,557	(993)
<b>Total Revenue</b>	<b>1,207,010</b>	<b>1,207,010</b>	<b>1,307,762</b>	<b>100,752</b>
<b>EXPENDITURES</b>				
Salaries and wages	295,000	295,000	283,404	11,596
Benefits	81,500	81,500	93,950	(12,450)
Supplies and services	903,850	903,850	1,026,340	(122,490)
<b>Total Expenditures</b>	<b>1,280,350</b>	<b>1,280,350</b>	<b>1,403,694</b>	<b>(123,344)</b>
<b>Excess (Deficiency) of Revenue over Expenditures</b>	<b>(73,340)</b>	<b>(73,340)</b>	<b>(95,932)</b>	<b>(22,592)</b>
<b>OTHER FINANCING SOURCES</b>				
Transfers - internal activity	82,340	82,340	18,000	(64,340)
<b>NET CHANGE IN FUND BALANCE</b>	<b>9,000</b>	<b>9,000</b>	<b>(77,932)</b>	<b>(86,932)</b>
<b>Fund Balance - Beginning</b>	<b>395,155</b>	<b>395,155</b>	<b>395,155</b>	
<b>Fund Balance - Ending</b>	<b>\$ 404,155</b>	<b>\$ 404,155</b>	<b>\$ 317,223</b>	<b>\$ (86,932)</b>

VISALIA PUBLIC CEMETERY DISTRICT

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

	<u>Jun 30, 2017</u>	<u>Jun 30, 2016</u>	<u>Jun 30, 2015</u>
District's proportion of the net pension liability (asset)	0.01%	0.01%	0.01%
District's proportionate share of the net pension liability (asset)	\$ 419,000	\$ 334,000	\$ 331,000
District's covered payroll	208,000	299,000	274,000
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	201%	112%	121%
Plan fiduciary net position as a percentage of the total pension liability	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

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	<u>Jun 30, 2017</u>	<u>Jun 30, 2016</u>	<u>Jun 30, 2015</u>
Contractually required contribution	\$ 17,000	\$ 13,812	\$ 18,459
Contributions in relation to the contractually required contribution	(17,000)	(13,812)	(18,459)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered payroll	277,000	208,000	299,000
Contributions as a percentage of covered payroll	6%	7%	6%



DENNIS COOPER  
AND  
ASSOCIATES  
CERTIFIED PUBLIC ACCOUNTANTS

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

The Board of Trustees  
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, 2017, 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 January 25, 2018.

***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 Manager will meet with the District's accountant and review and evaluate the current chart of accounts and identify any changes necessary and appropriate for the District. Their findings will be reviewed by the Board's Financial Oversight Committee and the results of the reviews will be presented to the Board at a regular Board Meeting.

### 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.

Dennis Cooper & Associates C.P.A.s

January 25, 2018