

ARTESIA CEMETERY DISTRICT
ANNUAL FINANCIAL REPORT
JUNE 30, 2021



ARTESIA CEMETERY DISTRICT

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Artesia Cemetery District
Artesia, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Artesia Cemetery District (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements. These financial statements collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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 the Artesia Cemetery District, as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on page 3 - 6 and 30 - 31 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 May 13, 2022, on our consideration of the 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Harshmal & Company LLP

Oakland, California
May 13, 2022

ARTESIA CEMETERY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021

This section of the annual financial report of the Artesia Cemetery District (District) presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2021. The Management's Discussion and Analysis (MD&A) should be read in conjunction with the District's financial statements, including the notes and the supplementary information that immediately follow this section.

FINANCIAL HIGHLIGHTS

The following summarizes the District's financial highlights for the year ended June 30, 2021:

- In total, government-wide net position was \$1,794,896.
- General revenues were \$292,746 or 18 percent of total revenues.
- Program revenues were \$1,089,520 or 67 percent of total revenues.
- Endowment care fees were \$238,000 or 15 percent of total revenues.
- Total government-wide assets were \$1,827,189.
- Total program expenses were \$659,188.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: Management's Discussion and Analysis (this section), the basic financial statements including notes to the financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District.

The first two statements are government-wide financial statements that provide both short-term and long-term information about the District's overall financial status.

The remaining statements are the governmental funds that focus on individual parts of the District, reporting the District operation in more detail than the government-wide statements.

The fund financial statements are composed of:

- Government fund statements, which tell how basic services were financed in the short-term, as well as what remained for future spending.

ARTESIA CEMETERY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021

OVERVIEW OF THE FINANCIAL STATEMENTS - CONT'D

Statement of Net Position and the Statement of Activities

The Statement of Net Position and the Statement of Activities report information about the District as a whole and its activities. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in them. Net position is the difference between assets and liabilities, which is one way to measure the District's financial health, or financial position. Overtime increases or decreases in the District net position are one indicator of whether its financial health is improving or deteriorating.

To assess the overall health of the District you need to consider additional non-financial factors including the condition the District's capital assets including facilities.

REPORTING DISTRICT'S MOST SIGNIFICANT FUNDS

- Some funds are required by law and covenants.
- The District establishes other funds to control and manage money for specific purposes or to show that certain revenues have been properly used.

Governmental Funds

The District's basic services are reported in governmental funds which generally focus on how money flows into and out of these funds and balances left at year end that are available for spending. These funds are reporting using the modified accrual accounting, which measures cash, and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's program.

Because this information does not encompass the additional long-term focus of the government-wide statement, we provide additional information of the governmental fund statements that explain the relationship (or differences) between them.

ARTESIA CEMETERY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

TABLE 1: STATEMENT OF NET POSITION

| | <u>2021</u> | <u>2020</u> | <u>Variance</u> | <u>% Change</u> |
|----------------------------------|---------------------|-------------------|-------------------|-----------------|
| Assets: | | | | |
| Current assets | \$ 886,039 | \$ 233,037 | \$ 653,002 | 280 % |
| Restricted assets | 408,983 | 155,880 | 253,103 | 162 % |
| Capital assets | <u>532,167</u> | <u>522,670</u> | <u>9,497</u> | <u>2 %</u> |
| Total assets | <u>1,827,189</u> | <u>911,587</u> | <u>915,602</u> | <u>100 %</u> |
| Liabilities: | | | | |
| Current liabilities | 28,596 | 14,168 | 14,428 | 102 % |
| Non-Current liabilities | <u>3,697</u> | <u>63,601</u> | <u>(59,904)</u> | <u>(94)%</u> |
| Total liabilities | <u>32,293</u> | <u>77,769</u> | <u>(45,476)</u> | <u>(58)%</u> |
| Net Position: | | | | |
| Net investment in capital assets | 532,167 | 465,296 | 66,871 | 14 % |
| Restricted | 408,983 | 169,880 | 239,103 | 141 % |
| Unrestricted | <u>853,746</u> | <u>198,642</u> | <u>655,104</u> | <u>330 %</u> |
| Total net position | <u>\$ 1,794,896</u> | <u>\$ 833,818</u> | <u>\$ 961,078</u> | <u>115 %</u> |

A summary of total District revenues, expenses and changes in net position is present in the table below:

TABLE 2: STATEMENT OF ACTIVITIES

| | <u>2021</u> | <u>2020</u> | <u>Variance</u> | <u>% Change</u> |
|------------------------|-------------------|------------------|-------------------|-----------------|
| Revenues: | | | | |
| Program revenue | \$ 1,089,520 | \$ 358,692 | \$ 730,828 | 204 % |
| General revenue | 292,746 | 277,084 | 15,662 | 6 % |
| Endowment care fees | <u>238,000</u> | <u>87,200</u> | <u>150,800</u> | <u>173 %</u> |
| Total Revenues | <u>1,620,266</u> | <u>722,976</u> | <u>897,290</u> | <u>124 %</u> |
| Expenses: | | | | |
| Program Expenses | 627,773 | 577,156 | 50,617 | 9 % |
| Depreciation | 24,596 | 75,082 | (50,486) | (67)% |
| Interest | <u>6,819</u> | <u>1,249</u> | <u>5,570</u> | <u>446 %</u> |
| Total Expenses | <u>659,188</u> | <u>653,487</u> | <u>131</u> | <u>- %</u> |
| Change in Net Position | <u>\$ 961,078</u> | <u>\$ 69,489</u> | <u>\$ 897,159</u> | <u>1,291 %</u> |

General Fund Budgetary Highlights

The District budgeted revenues of \$541,200 and expenditures of \$541,200 for the year ended June 30, 2021

**ARTESIA CEMETERY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

Capital Assets and Debt Administration

As of June 30, 2021, the District owned the following capital assets:

TABLE 3: CAPITAL ASSETS

| | <u>2021</u> | <u>2020</u> | <u>Variance</u> | <u>% Change</u> |
|-----------------------------|-------------------|-------------------|-----------------|-----------------|
| Land | \$ 56,297 | \$ 56,297 | \$ - | - % |
| Structures and Improvements | 515,286 | 497,835 | 17,451 | 4 % |
| Equipment | 110,740 | 163,967 | (53,227) | (32)% |
| Accumulated Depreciation | <u>(150,156)</u> | <u>(195,429)</u> | <u>45,273</u> | <u>(23)%</u> |
| Total Capital Assets | <u>\$ 532,167</u> | <u>\$ 522,670</u> | <u>\$ 9,497</u> | <u>2 %</u> |

The District reported the following long-term liabilities for the year ended June 30, 2021:

TABLE 4: LONG-TERM LIABILITIES

| | <u>2021</u> | <u>2020</u> | <u>Variance</u> | <u>% Change</u> |
|------------------------------|-----------------|------------------|--------------------|-----------------|
| Leases | \$ - | \$ 57,374 | \$ (57,374) | (100)% |
| Compensated absences payable | <u>4,108</u> | <u>6,227</u> | <u>(2,119)</u> | <u>(34)%</u> |
| Total Long-term liabilities | <u>\$ 4,108</u> | <u>\$ 63,601</u> | <u>\$ (59,493)</u> | <u>(94)%</u> |

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

The financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions regarding this report or need additional financial information, contact Antonio Mendoza, Artesia Cemetery District, 11142 Artesia Blvd, Cerritos, CA 90703.

BASIC FINANCIAL STATEMENTS

GOVERNMENT - WIDE FINANCIAL STATEMENT

ARTESIA CEMETERY DISTRICT
STATEMENTS OF NET POSITION
JUNE 30, 2021

ASSETS

| | |
|---|------------------|
| Current assets: | |
| Cash and investments | \$ 684,012 |
| Accrued interest receivable | 378 |
| Accounts receivable | 143,973 |
| Property taxes receivable | 12,493 |
| Materials and supplies - inventory | 19,476 |
| Prepaid Items | <u>25,707</u> |
| Total current assets | <u>886,039</u> |
| Noncurrent assets: | |
| Restricted: | |
| Cash and investments | 401,176 |
| Accrued interest receivable | 274 |
| Accounts receivable | 7,533 |
| Capital assets - not being depreciated | 56,297 |
| Capital assets, net - being depreciated | <u>475,870</u> |
| Total noncurrent assets | <u>941,150</u> |
| Total assets | <u>1,827,189</u> |

LIABILITIES

| | |
|---|---------------|
| Current liabilities: | |
| Accounts payable and accrued expenses | 11,345 |
| Accrued salaries and payroll taxes | 16,840 |
| Long-term Obligations - Current portion | |
| Compensated absences | <u>411</u> |
| Total current liabilities | <u>28,596</u> |
| Noncurrent liabilities: | |
| Long-term obligations - non-current portion | |
| Compensated absences | <u>3,697</u> |
| Total noncurrent liabilities | <u>3,697</u> |
| Total liabilities | <u>32,293</u> |

NET POSITION

| | |
|--|---------------------|
| Investment in capital assets | 532,167 |
| Restricted for: | |
| Nonexpendable - endowment principal | 404,400 |
| Expendable - endowment care - maintenance and operations | 4,583 |
| Unrestricted | <u>853,746</u> |
| Total net position | <u>1,794,896</u> |
| Total liabilities and net position | <u>\$ 1,827,189</u> |

The accompanying notes are an integral part of these financial statements

ARTESIA CEMETERY DISTRICT
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Program expenses:

| | |
|----------------------------------|----------------|
| Cemetery operations expenditures | |
| Salaries and wages | \$ 305,225 |
| Employee benefits | 88,963 |
| Facilities | 167,217 |
| Materials and supplies | 66,368 |
| Depreciation | 24,596 |
| Interest | <u>6,819</u> |
| Total program expenses | <u>659,188</u> |

Program revenues:

| | |
|---|------------------|
| Charges for services: | |
| Interment space sales, interment services and other sales | 967,520 |
| Operating grants and contributions | <u>122,000</u> |
| Total program revenues | <u>1,089,520</u> |
| Net program (expenses) revenues | <u>430,332</u> |

General revenues and contributions

| | |
|--|----------------|
| General revenues: | |
| Property taxes | 172,358 |
| Redevelopment taxes | 93,625 |
| Investment earnings | 1,825 |
| Gain on sale of assets | 22,778 |
| Other revenue | <u>2,160</u> |
| Total general revenues | <u>292,746</u> |
| Endowment care fees | <u>238,000</u> |
| Total general revenues and contributions | <u>530,746</u> |

| | |
|--------------------------|---------------------|
| Change in net position | 961,078 |
| Net position - beginning | <u>833,818</u> |
| Net position - ending | <u>\$ 1,794,896</u> |

The accompanying notes are an integral part of these financial statements

ARTESIA CEMETERY DISTRICT
BALANCE SHEETS - GOVERNMENTAL FUNDS
JUNE 30, 2021

| | General Fund | Permanent Fund Endowment Care | Total |
|---------------------------------------|-------------------|----------------------------------|---------------------|
| ASSETS | | | |
| Cash and investments | \$ 684,012 | \$ - | \$ 684,012 |
| Accrued interest receivable | 378 | - | 378 |
| Accounts receivable | 143,973 | - | 143,973 |
| Property taxes receivable | 12,493 | - | 12,493 |
| Restricted: | | | |
| Cash and investments | - | 401,176 | 401,176 |
| Accrued interest receivable | - | 274 | 274 |
| Accounts receivable | - | 7,533 | 7,533 |
| Materials and supplies - inventory | 19,476 | - | 19,476 |
| Prepaid items | 25,707 | - | 25,707 |
| Due from other funds | - | 908,284 | 908,284 |
| | <u>886,039</u> | <u>1,317,267</u> | <u>2,203,306</u> |
| Total assets | | | |
| LIABILITIES AND FUND BALANCES | | | |
| LIABILITIES | | | |
| Accounts payable and accrued expenses | 11,345 | - | 11,345 |
| Accrued salaries and payroll taxes | 16,840 | - | 16,840 |
| Due to other funds | 908,284 | - | 908,284 |
| | <u>936,469</u> | <u>-</u> | <u>936,469</u> |
| Total liabilities | | | |
| FUND BALANCE | | | |
| Nonspendable | 45,183 | - | 45,183 |
| Restricted: | | | |
| Nonexpendable - endowment principal | - | 404,400 | 404,400 |
| Expendable - endowment care | - | 4,583 | 4,583 |
| Interfund | (908,284) | 908,284 | - |
| Assigned | 4,108 | - | 4,108 |
| Unassigned | 808,563 | - | 808,563 |
| | <u>(50,430)</u> | <u>1,317,267</u> | <u>1,266,837</u> |
| Total fund balances | | | |
| Total liabilities and fund balances | <u>\$ 886,039</u> | <u>\$ 1,317,267</u> | <u>\$ 2,203,306</u> |

The accompanying notes are an integral part of these financial statements

ARTESIA CEMETERY DISTRICT
RECONCILIATION OF THE BALANCE SHEETS - GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET POSITION
JUNE 30, 2021

| | <u>Governmental Funds</u> |
|---|-------------------------------|
| Fund balances - Total governmental funds | \$ 1,266,837 |
| Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net position includes those assets as capital assets. | 532,167 |
| Long-term liabilities applicable to the District are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities' both current and long-term, are reported in the statement of net position as follows: | |
| Compensated absences | <u>(4,108)</u> |
| Total adjustments | <u>528,059</u> |
| Net position of governmental activities | \$ <u><u>1,794,896</u></u> |

The accompanying notes are an integral part of these financial statements

ARTESIA CEMETERY DISTRICT
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

| | <u>General Fund</u> | <u>Permanent Fund</u> | <u>Total</u> |
|--|---------------------------|----------------------------|----------------------------|
| REVENUES | | | |
| Property taxes | \$ 172,358 | \$ - | \$ 172,358 |
| Redevelopment taxes | 93,625 | - | 93,625 |
| Charges for services | 967,485 | 35 | 967,520 |
| Operating grants and contributions | 122,000 | - | 122,000 |
| Endowment care fees | - | 238,000 | 238,000 |
| Investment earnings | 757 | 1,068 | 1,825 |
| Other revenue | <u>2,160</u> | <u>-</u> | <u>2,160</u> |
| Total revenues | <u>1,358,385</u> | <u>239,103</u> | <u>1,597,488</u> |
| EXPENDITURES: | | | |
| Current operations: | | | |
| Salaries and wages | 307,344 | - | 307,344 |
| Employee benefits | 88,963 | - | 88,963 |
| Facilities | 167,217 | - | 167,217 |
| Materials and supplies | 66,368 | - | 66,368 |
| Capital outlay | 34,093 | - | 34,093 |
| Debt service: | | | |
| Principal | 57,374 | - | 57,374 |
| Interest | <u>6,819</u> | <u>-</u> | <u>6,819</u> |
| Total expenditures | <u>728,178</u> | <u>-</u> | <u>728,178</u> |
| Excess (deficiency) of revenues over expenditures | <u>630,207</u> | <u>239,103</u> | <u>869,310</u> |
| OTHER FINANCING SOURCES (USES): | | | |
| Gain on sale of assets | <u>22,778</u> | <u>-</u> | <u>22,778</u> |
| Total other financing sources | <u>22,778</u> | <u>-</u> | <u>22,778</u> |
| Net change in fund balance | 652,985 | 239,103 | 892,088 |
| Fund balance - beginning | <u>(703,415)</u> | <u>1,078,164</u> | <u>374,749</u> |
| Fund balance - ending | <u><u>\$ (50,430)</u></u> | <u><u>\$ 1,317,267</u></u> | <u><u>\$ 1,266,837</u></u> |

The accompanying notes are an integral part of these financial statements

ARTESIA CEMETERY DISTRICT

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

| | |
|--|-------------------|
| Net changes in fund balances - total governmental funds | \$ 892,088 |
| Capital outlay | 34,093 |
| Depreciation expense | (24,596) |
| Net change in compensated absences | 2,119 |
| Repayment of long-term debt is reported as an expenditure in governmental funds. However, principal repayments reduce liabilities in the statement of net position and do not result in expenses in the statement of activities. | <u>57,374</u> |
| Total adjustments | <u>68,990</u> |
| Change in net position of Governmental activities | <u>\$ 961,078</u> |

The accompanying notes are an integral part of these financial statements

ARTESIA CEMETERY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Artesia Cemetery District (the "District") was organized on September 24, 1928 and operates in conformity with the provisions of Part 4 of Division 8 of the Health and Safety Code, commencing at Section 8890. The area included in the District is generally bounded by Alondra Boulevard on the north, Coyote Creek to the Orange County Line on the east, the Long Beach City Line on the south and the San Gabriel River on the west. The District includes the cities of Artesia and Hawaiian Gardens and portions of the cities of Cerritos, Lakewood, Norwalk and Long Beach. The administration of the District is under the direction of a five-member Board of Trustees, appointed by Los Angeles County Board of Supervisors.

The financial statements of the District have been prepared in conformity with the accounting principles generally accepted in the United States of America ("GAAP"), as specified by the Governmental Accounting Standards Board ("GASB"). The more significant of the District's accounting policies are described below.

Financial Statement Presentation

The District's financial report is prepared in accordance with GAAP which prescribes that the following sections to be presented:

Management's Discussion and Analysis - GAAP requires the financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of management's discussion and analysis ("MD&A").

Government-Wide Financial Statements - The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities but also capital assets and long-term liabilities (such as buildings and general obligation debt). The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the Primary Government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the Primary Government is reported separately from certain legally separate component units for which the Primary Government is financially accountable.

Statement of Net Position - The Statement of Net Position is designed to display the financial position of the Primary Government (government and business-type activities) and its discretely presented component units. Governments will report all capital assets in the government-wide Statement of Net Position and will report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net position of a government will be broken down into three categories - 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

Statement of Activities - The government-wide Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

ARTESIA CEMETERY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

Statement of Activities - Cont'd

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items are not included among program revenues as they are not levied for a particular program.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Required Supplementary Information ("RSI") - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. Under the GAAP reporting model, governments provide budgetary comparison information in their annual reports including the original budget, final budget and actual results.

Financial Reporting Entity - The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a Primary Government's reporting entity for the basic financial statements is financial accountability wherein the entity is both fiscally dependent on the Primary Government and provides either a benefit or creates a burden on the Primary Government. The District does not have any component units.

A. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accompanying financial statements are prepared in accordance with GAAP as applicable to governmental units. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue in the fiscal year when all eligibility requirements imposed by the provider have been satisfied. Fiduciary funds financial statements are reported on the accrual basis of accounting and do not measure operations.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (general government and culture and recreation) which are otherwise being supported by general government revenues, (property certain intergovernmental revenues, permits, and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function activity.

ARTESIA CEMETERY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

A. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Cont'd

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenues are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting; however, debt service expenditures as well as expenditures related to compensated absences and claims, and judgments are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as unavailable revenues. Licenses, permits, are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state, and other grants for the purpose of funding specific expenditures, are recognized when all eligibility requirements have been satisfied. Revenues from general purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when cash is received by the government.

In the fund financial statements, financial transactions and accounts of the District are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

1. Governmental Funds - Governmental Funds are those through which most governmental functions typically are financed. The District reports the General Fund and Permanent Funds as major governmental funds.

General Fund - The General Fund is the primary operating fund of the District. This fund is used to account for all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service, and interest income.

Permanent Fund - The permanent fund is used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support maintenance and repairs of the cemetery.

B. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. The permanent fund does not have an appropriated budget since other means control the use of these resources (e.g., endowment requirements). The appropriated budget is prepared by fund. Transfers of appropriations of the general fund require the approval of the Board of Trustees. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level. Appropriations in all budgeted funds lapse at the end of the fiscal year.

ARTESIA CEMETERY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

C. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

D. Cash and Cash Equivalents

The District's cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

E. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements for the District. Capital assets are defined by the Districts as land, buildings, infrastructure, and equipment with an initial individual cost of more than \$2,500 (amount not rounded). Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Land and construction in progress are not depreciated. The other tangible property, plan, and equipment, the right to use leased equipment, and infrastructure of the government are depreciated using the straight-line method over the following estimated useful lives.

| Assets | Years |
|----------------|-------|
| Buildings | 20 |
| Motor vehicles | 10 |
| Equipment | 5-15 |
| Infrastructure | 20-30 |

F. Net Position

For government-wide reporting, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- *Net investment in capital assets* consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- *Restricted net position* consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.

ARTESIA CEMETERY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

F. Net Position - cont'd

- *Unrestricted* net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g. restricted bonds or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

G. Fund Balance

In the governmental fund financial statements, fund balance may be composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance, and lastly unassigned fund balance. The governmental fund types classify fund balances as follows:

- **Nonspendable Fund Balance** - This classification includes amounts that cannot be spent because they are either (a) not in spendable form (e.g., inventory) or (b) legally or contractually required to be maintained intact (e.g., long-term amount of loans/note receivable).
- **Restricted Fund Balance** - This classification includes amounts that are restricted to specific purposes by external parties, constitutional provisions, or imposed by creditors (e.g., bond covenants). Interest earned on the endowment principle is restricted for repairs and maintenance of cemetery grounds.
- **Committed Fund Balance** - This portion of fund balance can only be used for specific purposes determined by a formal action of the District's highest level of decision-making authority. Any changes or removal of specific purpose requires majority action by the governing body.
- **Assigned Fund Balance** - The portion of fund balance that the District intends to use for specific purposes as expressed by the governing body itself, the budget document, or delegated official, the District Manager. Fund balances in the General Fund are assigned by resolution of the Board of Directors.
- **Unassigned Fund Balance** - The portion of the fund balance available for any purpose. Includes all spendable amounts not classified as nonspendable, restricted, committed, or assigned. The General Fund is the only fund that would report a positive amount in the unassigned fund balance.

As previously mentioned, sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the sample purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

ARTESIA CEMETERY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

H. Leases

The District is a lessee for a noncancellable lease of equipment. The District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The District recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

I. Revenues and expenditures/expenses

Program revenues - Amounts reported as program revenues include (1) changes to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided or fines imposed by a given function, (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property taxes - The District receives property tax revenue from Los Angeles County (the County). The County is responsible for assessing, collecting and distributing property taxes in accordance with state law. Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The counties apportion secured property tax revenue in accordance with the alternate method of distribution prescribed by Section 4705 of the California Revenue and Taxation Code. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll - approximately October 1 of each year. Taxes are levied annually on July 1st, and one-half are due by November 1st and one-half by February 1st. Taxes are delinquent after December 10th and April 10th, respectively. Supplemental property taxes are levied on a pro-rata basis when changes in assessed valuation occur due to the completion of construction or sales transactions. Liens on real property are established on January 15th for the ensuing fiscal year.

J. Compensated Absences

Vacation - The District's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from government-service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

Sick Leave - Accumulated sick leave lapses when employees leave the employ of the District and, upon separation from service, no monetary obligation exists.

ARTESIA CEMETERY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

K. Inventory of Vaults and Vases

The District maintains an inventory of vaults and vases. Inventory balance as of June 30, 2021 is \$19,476.

L. New Accounting Pronouncements

The District adopted the following new accounting pronouncements issued by the GASB during the current fiscal year ended June 30, 2021:

The GASB issued Statement No. 84, *Fiduciary Activities* in January 2017. This Statement establishes standards of accounting and financial reporting for fiduciary activities. The requirements of this Statement are effective for periods beginning after December 15, 2018 as originally established, however GASB Statement No. 95 allows governments to postpone implementation for one year.

The provisions of this Statement have been implemented as of June 30, 2021. The implementation resulted no changes in the fiduciary fund.

The GASB issued Statement No. 90, *Majority Equity Interests* - an Amendment of GASB Statements No. 14 and No. 61 in August 2018. This Statement modifies previous guidance for reporting a government's majority equity interest in a legally separate organization. This Statement also provides guidance for reporting a component unit if a government acquires a 100 percent equity interest in that component unit. The requirements of this Statement are effective for periods beginning after December 15, 2018 as originally established, however GASB Statement No. 95 allows governments to postpone implementation for one year. Implementation of the statement does not have material impact on the District's financial statement.

The GASB issued Statement No. 93, *Replacement of Interbank Offered Rates* in March 2020. This Statement will address accounting and financial reporting issues and implications that result from the replacement of an interbank offered rates. The requirements of the Statement, except for paragraph 11b, are effective for reporting periods beginning after June 15, 2020. Implementation of the statement does not have material impact on the District's financial statement.

Implementation Guide No. 2019-1. Implementation Guide Update-2019. The requirements of this Implementation Guide will take effect for financial statements starting with the fiscal year that ends June 30, 2021.

The District is currently reviewing its accounting practices to determine the potential impacts on the financial statements for the following GASB Statements:

The GASB issued Statement No. 87, *Leases* in June 2017. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement are effective for periods beginning after December 15, 2019 as originally established, however GASB Statement No. 95 allows governments to postpone implementation for 18 months.

The GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* in June 2018. This Statement establishes accounting requirements for interest costs incurred before the end of a construction period. The requirements of this Statement are effective for periods beginning after December 15, 2019 as originally established, however GASB Statement No. 95 allows governments to postpone implementation for one year.

ARTESIA CEMETERY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

L. New Accounting Pronouncements - cont'd

The GASB issued Statement No. 91, *Conduit Debt Obligations* in May 2019. This Statement establishes a single method of reporting conduit debt obligations by issuers to eliminate diversity in practice. The requirements of this Statement are effective for periods beginning after December 15, 2020 as originally established, however GASB Statement No. 95 allows governments to postpone implementation for one year.

The GASB issued Statement No. 92, *Omnibus 2020* in January 2020. This Statement addresses a variety of topics to enhance comparability in accounting and financial reporting and improve consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement are effective for periods beginning after June 15, 2021 as originally established, however GASB Statement No. 95 allows governments to postpone implementation for one year.

The GASB issued Statement No. 93, *Replacement of Interbank Offered Rates* in March 2020. This Statement will address accounting and financial reporting issues and implications that result from the replacement of an interbank offered rates. The requirement in paragraph 11b is effective for reporting periods ending after December 31, 2021 and the requirements in paragraphs 13 and 14 are effective for fiscal years beginning after June 15, 2021, and all reporting periods thereafter, however GASB Statement No. 95 allows governments to postpone implementation for one year.

The GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* in March 2020. This Statement addresses issues related to public-private and public-public partnership arrangements (PPPs). The Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The requirements of this Statement are effective for periods beginning after June 15, 2022.

The GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* in May 2020. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements. The requirements of this Statement are effective for periods beginning after June 15, 2022.

The GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32* in June 2020. This Statement provides guidance regarding the financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans. The Statement will also enhance (1) information related to Section 457 plans that meet the definition of a pension plan and the benefits provided through those plans and (2) investment information for all Section 457 plans. Paragraphs 4 and 5 of the Statement were effective immediately whereas the remaining requirements of this Statement are effective for periods beginning after June 15, 2021.

Implementation Guide No. 2019-3, *Leases*. The requirements of this Implementation Guide will take effect for financial statements starting with the fiscal year that ends June 30, 2022.

ARTESIA CEMETERY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 - DEPOSITS AND INVESTMENTS

A. Cash and investments

It is the policy of the District to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the District and conforming to all state and local statutes governing the investment of public funds, using the “prudent person” standard for managing the overall portfolio. The primary objective of the policy is safety (preservation of capital), liquidity, and yield.

The District has authorized staff to invest cash with the Los Angeles County Treasurer in a series of pooled accounts with cash from various other governmental entities within the County, for investment purposes. State statutes govern the County’s investment policies.

In addition, the County has an investment committee, which prescribes written investment policies regarding the types of investments that may be made. The policies limit amounts that may be invested in any one financial institution or amounts, which may be invested in long-term instruments. Interest earned from such time deposits and investments is allocated quarterly to the District based on its average daily cash balances.

Los Angeles County Investment Pool - The District is a voluntary participant in the Los Angeles County Investment Pool (LACIP) that is regulated by California Government Code Section 53600 under the oversight of the treasurer of the County of Los Angeles. Deposits and withdrawals in the Los Angeles County Investment Pool are made in the basis of \$1 and not fair value. The balance available for withdrawal is based on the accounting records maintained by Los Angeles County Investment Pool which is recorded on an amortized cost basis. The pool is not registered with the SEC and is unrated. At June 30, 2021 and 2020, these investments in LACIP have an average maturity of 590 days and 547 days, respectively. The District is a voluntary participant in the Los Angeles County Investment Pool (LACIP) that is regulated by California Government Code Section 53600 under the oversight of the treasurer of the County of Los Angeles. The District reports its investment in LACIP at the fair value amount provided by LACIP. The balance available for withdrawal is based on the accounting records maintained by LACIP, which are recorded on an amortized cost basis. The pool is not registered with the SEC and is unrated.

Local Agency Investment Fund (LAIF) - The District participates in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF), which has invested a portion of the pool funds in Structured Notes and Asset Backed Securities. On July 9, 2020, the Board of Trustees authorized the deposit and withdrawal of district monies in the LAIF in the State Treasury in accordance with Government Code section 16439.1 et seq. for investment purposes. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments.

B. Cash deposits with financial institutions

Custodial credit risk - deposits. In the case of deposits, this is the risks that in the event of a bank’s failure, the District’s deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2021, the District’s deposit balance \$271,406 and \$21,406 of that amount was exposed to custodial credit risk because it was uninsured by the federal deposit insurance corporation (FDIC).

ARTESIA CEMETERY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 - DEPOSITS AND INVESTMENTS - CONT'D

C. Classification

| <u>Government-wide Statement of Net Position</u> | <u>2021</u> |
|--|---------------------|
| Governmental activities: | |
| Deposits with financial institutions | \$ 271,406 |
| Deposits with Los Angeles Investment Pool | 2,746 |
| Local agency investment fund (LAIF) | <u>811,036</u> |
| Total carrying amount of deposits | <u>\$ 1,085,188</u> |

D. Investments

As of June 30, 2021, the District had the following investments:

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Investment Maturities (in years)</u> | |
|-------------------------------------|-------------------|---|--------------------|
| | | <u>Less than 1 year</u> | <u>1 - 5 years</u> |
| Los Angeles County Investment Pool | \$ 2,746 | \$ - | \$ 2,746 |
| Local agency investment fund (LAIF) | <u>811,036</u> | <u>-</u> | <u>811,036</u> |
| Total | <u>\$ 813,782</u> | <u>\$ -</u> | <u>\$ 813,782</u> |

Credit Risk - Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The investment policy does not provide guidance about credit risk.

Custodial Credit Risk - Investments - The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the District will not be able to recover the value of its investments that are in the possession of an outside party to a transaction, the District will not be able to recover the value of its investments that are in the possession of an outside party. The investment policy does not provide guidance about custodial credit risk.

Concentration of Credit Risk - The concentration of credit risk is the risk of loss that may be caused by the District's investment in a single issuer. The District's investment policy does not provide guidance about concentration of credit risk.

Fair Value of Investments - The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy has three levels and is based on the valuation inputs used to measure an asset's fair value. Deposits and withdrawals in the LACIP are made in the basis of \$1 and not fair value.

Accordingly, the District's proportionate share of investments in the LACIP at June 30, 2021, is an uncategorized input not defined as Level 1, Level 2 or Level 3 input.

ARTESIA CEMETERY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 3 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2021:

| | Balance June 30, 2020 | Additions | Balance June 30, 2021 |
|---|--------------------------|-----------|--------------------------|
| Governmental Activities: | | | |
| Non-depreciable assets: | | | |
| Land | \$ 56,297 | \$ - | \$ 56,297 |
| Total non-depreciable assets | 56,297 | - | 56,297 |
| Depreciable assets: | | | |
| Buildings | 156,154 | - | 156,154 |
| Improvements | 341,681 | 17,451 | 359,132 |
| Equipment | 94,098 | 16,642 | 110,740 |
| Total depreciable assets | 591,933 | 34,093 | 626,026 |
| Less accumulated depreciation: | | | |
| Buildings | (38,200) | (3,904) | (42,104) |
| Improvements | (56,902) | (11,195) | (68,097) |
| Equipment | (30,458) | (9,497) | (39,955) |
| Total accumulated depreciation | (125,560) | (24,596) | (150,156) |
| Net Capital Assets Being Depreciated | 466,373 | 9,497 | 475,870 |
| Governmental activities capital assets, net | \$ 522,670 | \$ 9,497 | \$ 532,167 |

Depreciation expense for the year ended June 30, 2021 was \$24,596.

NOTE 4 - ACCRUED LIABILITIES

Accrued liabilities reported by governmental funds at June 30, 2021 was as follows:

| | General Fund |
|------------------------------------|-----------------|
| Accrued salaries and payroll taxes | \$ 16,840 |
| Total accrued liabilities | \$ 16,840 |

ARTESIA CEMETERY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District uses the McGriff Insurance and Hartford Insurance to account for and finance risks for workers' compensation, general liability, and property damage. Insurance policies are purchased for the following exposures with the deductible, or the amount of risk retention indicated in parenthesis: public officials and employee practices liability (\$1,000/\$1,000 deductible), boiler and machinery (\$1,000 deductible), employee faithful performance (\$1,000 deductible), flood coverage (\$2,500) and an excess liability insurance policy of the Artesia Cemetery District retains risks up to \$3,000,000. There were no settlements in excess of the insurance coverage in any of the three prior fiscal years.

During the year ended June 30, 2021, the District made payments of approximately \$6,201 and \$14,344 to McGriff Insurance Services and Hartford Insurance respectively for its coverage.

NOTE 6 - LONG-TERM OBLIGATIONS

During the year ended June 30, 2020, the District entered into a lease to purchase large machinery a four-year lease agreement as lessee for the acquisition and use of equipment. An initial lease liability was recorded in the amount of \$60,930 during the current fiscal year ended June 30, 2020. On January 31, 2021, the District paid off the lease initiated on February 15, 2020.

A summary of changes in long-term obligations as of June 30, 2021 is as follows:

| <u>Primary Government:</u> | <u>Balance July 1, 2020</u> | <u>Increase</u> | <u>Decrease</u> | <u>Balance June 30, 2021</u> | <u>Due Within One Year</u> |
|------------------------------|---------------------------------|------------------|--------------------|--------------------------------------|--------------------------------|
| Leases | \$ 57,374 | \$ - | \$ (57,374) | \$ - | \$ - |
| Compensated absences payable | <u>6,227</u> | <u>12,941</u> | <u>(15,060)</u> | <u>4,108</u> | <u>411</u> |
| Total | <u>\$ 63,601</u> | <u>\$ 12,941</u> | <u>\$ (72,434)</u> | <u>\$ 4,108</u> | <u>\$ 411</u> |

ARTESIA CEMETERY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of June 30, 2021 is as follows:

Due to/from other funds:

| Receivable Fund | Payable Fund | 2021 |
|-----------------|--------------|-------------------|
| Permanent Fund | General Fund | \$ <u>908,284</u> |

The amounts payable to the permanent fund relate to operating expenses made to the general fund governmental funds. This balance is an estimated calculated amount of the Permanent Fund Principal and earnings that were spent by prior District Management; therefore, attributing to the negative fund balance as the District tries to recoup those funds through ongoing proceedings.

On February 11, 2021, the Board of Trustees authorized the District manager to make payments to the permanent fund from any available monies contained in the District's general fund as the District manager deems will not disrupt, hinder, or unreasonably interfere with the normal operations of the District.

NOTE 8 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Deficit fund equity

At June 30, 2021, the general fund, a major fund, has a deficit fund balance of \$ (50,430)
 The reason for the deficit in this case is that the general fund borrowed and used endowment funds in prior years.

B. Violations of legal provisions

Nature of Violation - Principal of endowment was used for operating expenses. The use of principle endowment funds is in violation of Health and Safety Code Section 8726 in prior years.

NOTE 9 - DEFERRED COMPENSATION PLAN

The District offers a deferred compensation 403b plan to all employees with the exception of Board members. The District Board elects to make contributions to the 403b plan for employees that do not utilize District health benefits. In lieu of making health benefits, the employee can elect to have the District make contributions to the 403b plan.

ARTESIA CEMETERY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 10 - LITIGATION

There is a pending litigation by the District against a former employee for misuse of the Cemetery District funds and endowment care funds. The case is pending.

The District is also pursuing an action through the Department of Industrial Relations against a contractor for poor workmanship and providing services without a license.

In both of the above litigation matters, the District is Plaintiff and prosecuting party.

NOTE 11 - SUBSEQUENT EVENTS

The District has evaluated subsequent events through May 13, 2022 the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

ARTESIA CEMETERY DISTRICT
BUDGETARY COMPARISON SCHEDULE- GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|----------------------------|----------------------------|---------------------------|--|
| REVENUES | | | | |
| Property tax | \$ 238,020 | \$ 238,020 | \$ 172,358 | \$ (65,662) |
| Redevelopment taxes | - | - | 93,625 | 93,625 |
| Charges for services | 240,000 | 240,000 | 967,485 | 727,485 |
| Operating grants and contributions | 61,020 | 61,020 | 122,000 | 60,980 |
| Investment earning | - | - | 757 | 757 |
| Other revenue | <u>2,160</u> | <u>2,160</u> | <u>2,160</u> | <u>-</u> |
| Total revenues | <u>541,200</u> | <u>541,200</u> | <u>1,358,385</u> | <u>817,185</u> |
| EXPENDITURES | | | | |
| Current operations: | | | | |
| Salaries and wages | 277,524 | 277,524 | 307,344 | (29,820) |
| Employee benefits | 82,716 | 82,716 | 88,963 | (6,247) |
| Facilities | 130,500 | 130,500 | 167,217 | (36,717) |
| Materials and supplies | 50,460 | 50,460 | 66,368 | (15,908) |
| Capital outlay | - | - | 34,093 | (34,093) |
| Debt service: | | | | |
| Principal | - | - | 57,374 | (57,374) |
| Interest | <u>-</u> | <u>-</u> | <u>6,819</u> | <u>(6,819)</u> |
| Total expenditures | <u>541,200</u> | <u>541,200</u> | <u>728,178</u> | <u>(186,978)</u> |
| Excess (deficiency) of revenues over expenditures | <u>-</u> | <u>-</u> | <u>630,207</u> | <u>630,207</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Gain on sale of assets | <u>-</u> | <u>-</u> | <u>22,778</u> | <u>22,778</u> |
| Total other financing sources | <u>-</u> | <u>-</u> | <u>22,778</u> | <u>22,778</u> |
| Net change in fund balance | - | - | 652,985 | 652,985 |
| Fund balance - beginning | <u>(703,415)</u> | <u>(703,415)</u> | <u>(703,415)</u> | <u>-</u> |
| Fund balance - ending | <u><u>\$ (703,415)</u></u> | <u><u>\$ (703,415)</u></u> | <u><u>\$ (50,430)</u></u> | <u><u>\$ 652,985</u></u> |

See the notes to required supplementary information

ARTESIA CEMETERY DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - LEVEL OF BUDGETARY CONTROL

The Annual budget requests are submitted by the District's staff to the District Board of Trustees for preliminary review and approval. After public hearing, a final budget is approved by the District Board of Trustees, with a resolution adopting said budget. Copies of the approved budget are sent to all required agencies.

NOTE 2 - BASIS OF ACCOUNTING

The budgetary comparison schedules are presented in accordance with generally accepted accounting principles for governmental funds (the modified accrual basis). Revenues are budgeted in the year receipt is expected; expenditures are budgeted in the year that the applicable warrant requisitions are expected to be issued. The budget and actual financial statements are reported on the above basis.

NOTE 3 - EXPENDITURES IN EXCESS OF APPROPRIATIONS

Expenditures in the General Fund exceeded appropriations in the current year by \$186,978.

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

To the Board of Directors
Artesia Cemetery District
Artesia, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Artesia Cemetery District (the "District") as of and for the year ended June 30, 2021, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 13, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing 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 District internal control. Accordingly, we do not express an opinion on the effectiveness of District internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Artesia 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of the testing, and not to provide an opinion on the effectiveness of the entity 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.

Harshmal & Company LLP

Oakland, California
May 13, 2022

**ARTESIA CEMETERY DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2021**

There are no findings reported in the current year.

**ARTESIA CEMETERY DISTRICT
STATUS OF PRIOR YEAR FINDINGS
JUNE 30, 2021**

There were no findings in the prior year.