

ARTESIA CEMETERY DISTRICT

ANNUAL FINANCIAL REPORT

June 30, 2020 and 2019



ARTESIA CEMETERY DISTRICT
 Annual Financial Report
 For the Fiscal Years Ended June 30, 2020 and 2019

TABLE OF CONTENTS

TITLE	PAGE
FINANCIAL SECTION	
Independent Auditor’s Report.....	1 - 2
Management’s Discussion & Analysis	3 - 7
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	9
Statement of Activities.....	10
Funds Financial Statements:	
Balance Sheet – Governmental Funds	11 - 12
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	13
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	14 - 15
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Government-wide Statement of Activities.....	16
Notes to Financial Statements.....	17 - 28
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Fund Balances – Budget and Actual – General Fund	31 - 32
Note to Required Supplemental Information	33



INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Artesia Cemetery District
Artesia, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Artesia Cemetery District, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements. We were not engaged to audit the financial statements of the aggregate discretely presented component units. 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. 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 unmodified and qualified audit opinions.

Basis for Qualified Opinions (2019)

The District reported charges for services in the amount of \$270,650 and receivables of \$33,457. The District reported operating expenses (Salaries and wages, employee benefits, facilities, and materials and service) in the amount of \$312,038. Because of the inadequate accounting records for the year ended June 30, 2019, we were unable to form an opinion regarding the amount at which charges for services and related receivables, operating expenses and related payables should be reported in the accompanying statement of net position, statement of activities, balance sheet, and statement of revenues, expenditures, and changes in fund balances.

Qualified Opinions (2019)

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinions paragraphs, 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, 2019, 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.

Unmodified Opinions (2020)

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, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Restatement

As discussed in Note 13 to the financial statements, the July 1, 2018, beginning net position and fund balances have been restated to correct misstatements to misstated cash, receivables, deferred revenue, and liabilities. Our opinion is not modified with respect to this matter.

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 pages 3--7 and 31--33 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.

David Farnsworth, CPA

Dublin, California
June 24, 2021

ARTESIA CEMETERY DISTRICT
Management's Discussion & Analysis
June 30, 2020 and 2020

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, 2020 and 2019. 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, 2020.

- In total, government-wide net position was \$833,818.
- General revenues were \$277,084 or 38 percent of total revenues.
- Program revenues were for \$358,692 or 50 percent of total revenues.
- Total government-wide assets were \$911,587.
- Total program expenses were \$653,487.

The following summarizes the District financial highlights for the year ended June 30, 2019:

- In total, government-wide net position was \$764,329.
- General revenues accounted for \$232,339 or 30 percent of total revenues.
- Program revenues were \$459,650 or 60 percent of total revenues.
- Total government-wide assets were \$480,689.
- Total program expenses were \$378,521.

OVERVIEW OF 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.

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

**ARTESIA CEMETERY DISTRICT
Management's Discussion & Analysis
June 30, 2020 and 2020**

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

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

Fund Financial Statements

The fund financial statements provide more detailed information about the District most significant funds and not the District as a whole. Funds are accounting devices the District uses to record specific sources of funding and spending on particular programs:

- 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.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

TABLE 1: STATEMENT OF NET POSITION

Assets	2020	2019	\$ Change	% Change
Current assets	\$ 233,037	\$ 264,713	\$ (31,676)	-11.97%
Restricted assets	155,880	67,109	88,771	132.28%
Capital assets, net	522,670	483,745	38,925	8.05%
Total assets	911,587	815,567	96,020	11.77%

ARTESIA CEMETERY DISTRICT
Management's Discussion & Analysis
June 30, 2020 and 2020

Liabilities				
Current liabilities	14,168	9,654	4,514	46.76%
Non-current liabilities	<u>63,601</u>	<u>41,584</u>	<u>22,017</u>	<u>52.94%</u>
Total liabilities	<u>77,769</u>	<u>51,238</u>	<u>26,531</u>	<u>51.78%</u>

Net Position				
Net investment in capital assets	465,296	443,745	21,551	4.86%
Restricted	169,880	82,609	87,271	105.64%
Unrestricted	<u>198,642</u>	<u>237,975</u>	<u>(39,333)</u>	<u>-16.53%</u>
Total net position	<u>\$ 833,818</u>	<u>\$ 764,329</u>	<u>\$ 69,489</u>	<u>9.09%</u>

Assets				
	2019	2018	\$ Change	% Change
Current assets	\$ 264,713	\$ 48,068	\$ 216,645	450.71%
Restricted assets	67,109	-	67,109	
Capital assets, net	<u>483,745</u>	<u>396,373</u>	<u>87,372</u>	<u>22.04%</u>
Total assets	<u>815,567</u>	<u>444,441</u>	<u>371,126</u>	<u>83.50%</u>

Liabilities				
Current liabilities	9,654	235,980	(226,326)	-95.91%
Non-current liabilities	<u>41,584</u>	<u>-</u>	<u>41,584</u>	
Total liabilities	<u>51,238</u>	<u>235,980</u>	<u>(184,742)</u>	<u>-78.29%</u>

Net Position				
Net investment in capital assets	443,745	396,373	47,372	11.95%
Restricted	82,609	908,284	(825,675)	-90.90%
Unrestricted	<u>237,975</u>	<u>(1,096,196)</u>	<u>1,334,171</u>	<u>-121.71%</u>
Total net position	<u>\$ 764,329</u>	<u>\$ 208,461</u>	<u>\$ 555,868</u>	<u>266.65%</u>

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

TABLE 2: STATEMENT OF ACTIVITIES

Revenues				
	2020	2019	\$ Change	% Change
Program revenues	\$358,692	\$459,650	\$ (100,958)	-21.96%
General revenues	277,084	232,339	44,745	19.26%
Contributions	<u>87,200</u>	<u>79,200</u>	<u>8,000</u>	<u>10.10%</u>
Total revenues	<u>722,976</u>	<u>771,189</u>	<u>(48,213)</u>	<u>-6.25%</u>
Program expenses				
Program expenses	578,405	314,884	(314,884)	-100.00%
Depreciation	<u>75,082</u>	<u>63,637</u>	<u>251,247</u>	<u>394.81%</u>
Total expenses	<u>653,487</u>	<u>378,521</u>	<u>274,966</u>	<u>72.64%</u>
Change in net position	<u>\$ 69,489</u>	<u>\$392,668</u>	<u>\$ (323,179)</u>	<u>-82.30%</u>

**ARTESIA CEMETERY DISTRICT
Management's Discussion & Analysis
June 30, 2020 and 2020**

Revenues	2019	2018	\$ Change	% Change
Program revenues	\$459,650	\$328,389	\$ 131,261	39.97%
General revenues	232,339	162,319	70,020	43.14%
Contributions	79,200	100,450	(21,250)	-21.15%
Total revenues	<u>771,189</u>	<u>591,158</u>	<u>180,031</u>	<u>30.45%</u>
Program expenses				
Program expenses	314,884	601,491	(286,607)	-47.65%
Depreciation	63,637	58,525	5,112	8.73%
Total expenses	<u>378,521</u>	<u>660,016</u>	<u>(281,495)</u>	<u>-42.65%</u>
Change in net position	<u>\$392,668</u>	<u>\$(68,858)</u>	<u>\$ 461,526</u>	<u>-670.26%</u>

General Fund Budgetary Highlights

The District budgeted revenues of \$259,144 and expenditures of 154,001 for the year ended June 30, 2019. The District budgeted revenues of 493,160 and expenditures of \$449,220 for the year ended June 30, 2020.

Capital Assets and Debt Administration

As of June 30, 2020, the District owned the following capital assets:

TABLE 3: CAPITAL ASSETS

	2020	2019	\$ Change	% Change
Land	\$ 56,297	\$ 56,297	\$ -	0.00%
Work in progress	-	95,000	(95,000)	-100.00%
Structures and improvements	497,835	355,835	142,000	39.91%
Equipment	163,967	96,960	67,007	69.11%
Accumulated depreciation	<u>(195,429)</u>	<u>(120,347)</u>	<u>(75,082)</u>	<u>62.39%</u>
Total capital assets	<u>\$522,670</u>	<u>\$483,745</u>	<u>\$ 38,925</u>	<u>8.05%</u>
	2019	2018	\$ Change	% Change
Land	\$ 56,297	\$ 56,297	\$ -	0.00%
Work in progress	95,000	-	95,000	
Structures and improvements	355,835	409,662	(53,827)	-13.14%
Equipment	96,960	189,711	(92,751)	-48.89%
Accumulated depreciation	<u>(120,347)</u>	<u>(38,525)</u>	<u>(81,822)</u>	<u>212.39%</u>
Total capital assets	<u>\$483,745</u>	<u>\$617,145</u>	<u>\$(133,400)</u>	<u>-21.62%</u>

**ARTESIA CEMETERY DISTRICT
Management's Discussion & Analysis
June 30, 2020 and 2020**

The District reported the following long-term liabilities for the years ended June 30, 2020 and 2019.

TABLE 4: LONG-TERM LIABILITIES

	<u>2020</u>	<u>2019</u>	<u>\$ Change</u>	<u>% Change</u>
Leases	\$ 57,374	\$ 40,000	\$ 17,374	43.44%
Compensated absences payable	6,227	1,584	4,643	293.12%
Total Long-term liabilities	<u>\$ 63,601</u>	<u>\$ 41,584</u>	<u>\$ 22,017</u>	<u>52.95%</u>

	<u>2019</u>	<u>2018</u>	<u>\$ Change</u>	<u>% Change</u>
Leases	\$ 40,000	\$ -	\$ 40,000	
Compensated absences payable	1,584	-	1,584	
Total Long-term liabilities	<u>\$ 41,584</u>	<u>\$ -</u>	<u>\$ 41,584</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

ARTESIA CEMETERY DISTRICT
Statement of Net Position
June 30, 2020 and 2019

<u>ASSETS</u>	<u>2020</u>	<u>2019</u>
Current assets:		
Cash and investments	173,435	222,152
Accrued interest receivable	49	122
Accounts receivable	47,196	33,457
Property taxes receivable	12,357	8,982
Total current assets	<u>233,037</u>	<u>264,713</u>
Non-current assets:		
Restricted:		
Cash and investments	155,880	67,109
Capital assets – not being depreciated	56,297	151,297
Capital assets, net – being depreciated	466,373	332,448
Total non-current assets	<u>678,550</u>	<u>550,854</u>
 Total assets	 <u>911,587</u>	 <u>815,567</u>
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable and accrued expenses	14,168	9,654
Total current liabilities	<u>14,168</u>	<u>9,654</u>
Noncurrent liabilities:		
Long-term liabilities – due in less than one year:		
Compensated absences	623	158
Capital lease payable	57,374	40,000
Long-term liabilities – due in more than one year:		
Compensated absences	5,604	1,426
Total noncurrent liabilities	<u>63,601</u>	<u>41,584</u>
Total liabilities	<u>77,769</u>	<u>51,238</u>
<u>NET POSITION</u>		
Net investment in capital assets	465,296	443,745
Restricted:		
Nonexpendable – endowment principal	166,400	79,200
Expendable - endowment care – maintenance and operations	3,480	3,409
Unrestricted	198,642	237,975
 Total net position	 <u>\$ 833,818</u>	 <u>\$ 764,329</u>

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

ARTESIA CEMETERY DISTRICT
Statement of Activities
For the Years Ended June 30, 2020 and 2019

	Governmental Activities	
	2020	2019
Expenses:		
Cemetery operations:		
Salaries and wages	295,605	\$ 147,443
Employee benefits	51,046	27,574
Facilities	152,401	70,718
Materials and services	78,104	66,303
Depreciation expense	75,082	63,637
Interest expense	1,249	2,846
Total expenses	653,487	378,521
Program revenues:		
Charges for services:		
Interment space sales, interment services and other sales	358,692	270,650
Operating grants and contributions	-	189,000
Total program revenues	358,692	459,650
Net program expense	(294,795)	81,129
General revenues:		
Property taxes	173,860	164,472
Redevelopment taxes	71,603	64,076
Investment earnings	526	244
Gain on sale of assets	28,935	1,387
Other revenue	2,160	2,160
Total general revenues	277,084	232,339
Contributions to permanent funds	87,200	79,200
Change in net position	69,489	392,668
Net position:		
Beginning of year	764,329	208,461
Prior period adjustment	-	163,200
End of year	\$ 833,818	\$ 764,329

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

ARTESIA CEMETERY DISTRICT
Balance Sheet
Governmental Funds
June 30, 2020

<u>ASSETS</u>	<u>General Fund</u>	<u>Permanent Fund Endowment Care</u>	<u>Total Governmental Funds</u>
Assets:			
Cash and investments	\$ 173,435	\$ -	\$ 173,435
Accrued interest receivable	49	-	49
Accounts receivable	33,196	14,000	47,196
Property taxes receivable	12,357	-	12,357
Restricted:			
Cash and investments	-	155,880	155,880
Due from other funds	-	908,284	908,284
Total assets	<u>\$ 219,037</u>	<u>\$ 1,078,164</u>	<u>\$ 1,297,201</u>
<u>LIABILITIES AND FUND BALANCE</u>			
Liabilities:			
Accounts payable	5,457	-	5,457
Accrued expenses	8,711	-	8,711
Due to other funds	908,284	-	908,284
Total liabilities	<u>922,452</u>	<u>-</u>	<u>922,452</u>
Fund balance:			
Nonspendable	-	166,400	166,400
Restricted:			
Expendable - endowment care		3,480	3,480
Interfund	(908,284)	908,284	-
Assigned	6,227		6,227
Unassigned	198,642	-	198,642
Total fund balance	<u>(703,415)</u>	<u>1,078,164</u>	<u>374,749</u>
Total liabilities and fund balance	<u>\$ 219,037</u>	<u>\$ 1,078,164</u>	<u>\$ 1,297,201</u>

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

ARTESIA CEMETERY DISTRICT
Balance Sheet
Governmental Funds
June 30, 2019

<u>ASSETS</u>	<u>General Fund</u>	<u>Permanent Fund Endowment Care</u>	<u>Total Governmental Funds</u>
Assets:			
Cash and investments	\$ 222,152	\$ -	\$ 222,152
Accrued interest receivable	122	-	122
Accounts receivable	17,957	15,500	33,457
Property taxes receivable	8,982	-	8,982
Restricted:			
Cash and investments	-	67,109	67,109
Due from other funds	-	908,284	908,284
Total assets	<u>\$ 249,213</u>	<u>\$ 990,893</u>	<u>\$ 1,240,106</u>
<u>LIABILITIES AND FUND BALANCE</u>			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Accrued expenses	9,654	-	9,654
Due to other funds	908,284	-	908,284
Total liabilities	<u>917,938</u>	<u>-</u>	<u>917,938</u>
Fund balance:			
Nonspendable	-	79,200	79,200
Restricted for:			
Expendable - endowment care	-	3,409	3,409
Interfund	(908,284)	908,284	-
Unassigned	239,559	-	239,559
Total fund balance	<u>(668,725)</u>	<u>990,893</u>	<u>322,168</u>
Total liabilities and fund balance	<u>\$ 249,213</u>	<u>\$ 990,893</u>	<u>\$ 1,240,106</u>

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

ARTESIA CEMETERY DISTRICT
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
June 30, 2020

	2020	2019
Fund Balance of Governmental Funds	\$ 374,749	\$ 322,168
 Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net position includes those assets as capital assets.	522,670	483,745
 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	(6,227)	(1,584)
Capital lease payable	(57,374)	(40,000)
 Total adjustments	 459,069	 442,161
 Net Position of Governmental Activities	 \$ 833,818	 \$ 764,329

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

ARTESIA CEMETERY DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2020

	General Fund	Permanent Fund Endowment Care	Total Governmental Funds
Revenues:			
Property taxes	\$ 173,860	\$ -	\$ 173,860
Redevelopment taxes	71,603	-	71,603
Charges for services	358,692	-	358,692
Endowment care fees	-	87,200	87,200
Investment earnings	455	71	526
Gain on sale of assets	28,935	-	28,935
Other revenue	2,160	-	2,160
Total revenues	635,705	87,271	722,976
Expenditures:			
Current operations:			
Salaries and wages	290,962	-	290,962
Employee benefits	51,046	-	51,046
Facilities	151,401	-	151,401
Materials and supplies	79,104	-	79,104
Capital outlay	114,007	-	114,007
Debt service:			
Principal	43,491	-	43,491
Interest	1,249	-	1,249
Total expenditures	731,260	-	731,260
Excess of revenues over (under) expenditures	(95,555)	87,271	(8,284)
Other financing sources(uses):			
Principal issued for capital lease	60,865	-	60,865
Total other financing sources	60,865	-	60,865
Change in fund balance	(34,690)	87,271	52,581
Fund Balances:			
Fund balances - beginning	(668,725)	990,893	322,168
Fund balances - ending	<u>\$ (703,415)</u>	<u>\$ 1,078,164</u>	<u>\$ 374,749</u>

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

ARTESIA CEMETERY DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2019

	<u>General Fund</u>	<u>Permanent Fund Endowment Care</u>	<u>Total Governmental Funds</u>
Revenues:			
Property taxes	\$ 164,472	\$ -	\$ 164,472
Redevelopment taxes	64,076	-	64,076
Charges for services	270,650	-	270,650
Operating grants and contributions	189,000	-	189,000
Endowment care fees	-	79,200	79,200
Investment earnings	239	5	244
Other revenue	3,547	-	3,547
Total revenues	<u>691,984</u>	<u>79,205</u>	<u>771,189</u>
Expenditures:			
Current operations:			
Salaries and wages	146,459	-	146,459
Employee benefits	27,574	-	27,574
Facilities	70,717	-	70,717
Materials and services	65,703	-	65,703
Capital outlay	151,010	-	151,010
Debt service:			
Principal	16,009	-	16,009
Interest	2,846	-	2,846
Total expenditures	<u>480,318</u>	<u>-</u>	<u>480,318</u>
Excess of revenues over (under) expenditures	<u>211,666</u>	<u>79,205</u>	<u>290,871</u>
Other financing sources (uses):			
Principal issues for capital lease	40,000	-	40,000
Transfers in/(out)	(3,404)	3,404	-
Total other financing sources	<u>36,596</u>	<u>3,404</u>	<u>40,000</u>
Change in fund balance	248,262	82,609	330,871
Fund Balance:			
Fund balances - beginning	(1,096,196)	908,284	(187,912)
Prior period adjustment	179,209	-	179,209
fund balances - beginning, restated	<u>(916,987)</u>	<u>908,284</u>	<u>(8,703)</u>
End of year	<u>\$ (668,725)</u>	<u>\$ 990,893</u>	<u>\$ 322,168</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 of Governmental Funds to the Statement of Activities
For the Years Ended June 30, 2020 and 2019

	2020	2019
Net Change in Fund Balance – Governmental Funds	\$ 52,581	\$ 330,871
Amount reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:		
Capital outlay	114,007	151,010
Depreciation expense	(75,082)	(63,637)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenses in governmental funds as follows:		
Net change in compensated absences	(4,643)	(1,585)
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.		
	43,491	16,009
The issuance of long-term debt provides current financial resources to governmental funds, while repayment of the principal and consumes the current financial resources of the governmental funds. Issuance of the capital lease principal is an other financing source and repayment of the capital lease principal is an expenditure in the governmental funds, but the issuance increases long-term liabilities and the repayment reduces long-term liabilities on the statement of net position		
	(60,865)	(40,000)
Total adjustments	16,908	61,797
Change in Net Position of Governmental Activities	\$ 69,489	\$ 392,668

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

ARTESIA CEMETERY DISTRICT
Notes to the financial Statements
June 30, 2020 and 2019

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 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).

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.

ARTESIA CEMETERY DISTRICT
Notes to the financial Statements
June 30, 2020 and 2019

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.

1. 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.

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.

ARTESIA CEMETERY DISTRICT
Notes to the financial Statements
June 30, 2020 and 2019

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, Capital Projects 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.

2. Budgetary Information

1. Budgetary basis of accounting

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.

3. 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.

4. Assets, liabilities, deferred outflows/inflows, and net position/fund balance

1. 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.

2. 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.

ARTESIA CEMETERY DISTRICT
Notes to the financial Statements
June 30, 2020 and 2019

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

3. 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.
- *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.

4. 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.

ARTESIA CEMETERY DISTRICT
Notes to the financial Statements
June 30, 2020 and 2019

- 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.

5. Leases

Lessee: 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 principle 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.

6. Revenues and expenditures/expenses

1. *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.

2. *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

ARTESIA CEMETERY DISTRICT
Notes to the financial Statements
June 30, 2020 and 2019

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.

3. *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.

Note 2—Deposits and investments

A. Cash and investments

It is the policy of the Artesia Cemetery 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 confirming 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, 2020 and 2019, 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.

ARTESIA CEMETERY DISTRICT
Notes to the financial Statements
June 30, 2020 and 2019

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, 2020, the District’s deposit balance \$329,316 and \$70,107 of that amount was exposed to custodial credit risk because it was uninsured by the federal deposit insurance corporation (FDIC) As of June 30, 2019, the District’s deposit balance was \$289,261 and \$0 of that amount was exposed to custodial credit risk, because the balance was fully insured by the federal deposit insurance corporation and deposits held at the LACIP are not subject to custodial credit risk.

C. Classification

Government-wide Statement of Net Position	<u>2020</u>	<u>2019</u>
Governmental activities:		
Deposits with financial institutions	\$ 320,107	236,421
Deposits with Los Angeles Investment Pool	<u>9,208</u>	<u>52,840</u>
Total carrying amount of deposits	<u>\$ 329,315</u>	<u>\$ 289,261</u>

D. Investments

As of June 30, 2020, 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	<u>\$ 9,208</u>	<u>\$ -</u>	<u>\$ 9,208</u>

As of June 30, 2019, 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	<u>\$ 52,840</u>	<u>\$ -</u>	<u>\$ 52,840</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.

ARTESIA CEMETERY DISTRICT
Notes to the financial Statements
June 30, 2020 and 2019

Accordingly, the District's proportionate share of investments in the LACIP at June 30, 2020, is an uncategorized input not defined as Level 1, Level 2 or Level 3 input.

Note 3—Capital assets

The following is a summary of changes in capital assets for the years ended June 30, 2020 and 2019:

	Balance	Increase	Decrease	Balance
Governmental Activities:	July 1, 2019			June 30, 2020
Capital assets not subject to depreciation:				
Land	\$ 56,297	\$ -	\$ -	\$ 56,297
Work in progress	95,000	-	(95,000)	-
Total capital assets not subject to depreciation	<u>151,297</u>	<u>-</u>	<u>(95,000)</u>	<u>56,297</u>
Capital assets subject to depreciation:				
Buildings, improvements, and infrastructure	355,835	142,000	-	497,835
Machinery and equipment	96,960	67,007	-	163,967
Total capital assets being depreciated	<u>452,795</u>	<u>209,007</u>	<u>-</u>	<u>661,802</u>
Less accumulated depreciation for:				
Buildings, improvements, and infrastructure	(80,328)	(14,774)	-	(95,102)
Machinery and equipment	(40,019)	(60,308)	-	(100,327)
Total accumulated depreciation	<u>(120,347)</u>	<u>(75,082)</u>	<u>-</u>	<u>(195,429)</u>
Total capital assets being depreciated, net	<u>332,448</u>	<u>133,925</u>	<u>-</u>	<u>466,373</u>
Capital assets, net	<u>\$ 483,745</u>	<u>\$ 133,925</u>	<u>\$ (95,000)</u>	<u>\$ 522,670</u>

Depreciation expense for the year ended June 30, 2020 was \$75,082.

	Balance	Increase	Decrease	Balance
Governmental Activities:	July 1, 2018			June 30, 2019
Capital assets not subject to depreciation:				
Land	\$ 56,297	\$ -	\$ -	\$ 56,297
Work in progress	-	95,000	-	95,000
Total capital assets not subject to depreciation	<u>56,297</u>	<u>95,000</u>	<u>-</u>	<u>151,297</u>
Capital assets subject to depreciation:				
Buildings, improvements, and infrastructure	409,662	-	(53,827)	355,835
Machinery and equipment	193,288	56,009	(152,337)	96,960
Total capital assets being depreciated	<u>602,950</u>	<u>56,009</u>	<u>(206,164)</u>	<u>452,795</u>
Less accumulated depreciation for:				
Buildings, improvements, and infrastructure	(104,485)	(29,670)	53,827	(80,328)
Machinery and equipment	(158,389)	(33,967)	152,337	(40,019)
Total accumulated depreciation	<u>(262,874)</u>	<u>(63,637)</u>	<u>206,164</u>	<u>(120,347)</u>
Total capital assets being depreciated, net	<u>340,076</u>	<u>(7,628)</u>	<u>-</u>	<u>332,448</u>
Capital assets, net	<u>\$ 396,373</u>	<u>\$ 87,372</u>	<u>\$ -</u>	<u>\$ 483,745</u>

Depreciation expense for the year ended June 30, 2019 was \$63,637.

ARTESIA CEMETERY DISTRICT
Notes to the financial Statements
June 30, 2020 and 2019

Note 4—Accrued liabilities

Accrued liabilities reported by governmental funds at June 30, 2020 and 2019 were as follows:

Year Ended June 30, 2020	
	General Fund
Salary and other employee benefits	\$ 8,710
Total accrued liabilities	\$ 8,710

Year Ended June 30, 2019	
	General Fund
Salary and other employee benefits	\$ 9,654
Total accrued liabilities	\$ 9,654

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, 2020, the District made payments of approximately \$7,395 and \$6,776 to McGriff Insurance Services and Hartford Insurance respectively for its coverage.

During the year ended June 30, 2019, the District made payments of approximately \$4,611 and \$8,193 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. As of June 30, 2020, the value of the lease liability was \$57,374. The District is required to make monthly principal and interest payments of \$1,185. The lease has an interest rate of 3%. The equipment has a seven-year estimated useful life.

The future principal and interest lease payments as of June 30, 2020, were as follows:

Year Ended June 30, 2020			
Fiscal Year	Principal	Interest	Total
Ending June 30,			
2021	57,374	6,819	64,193
Totals	\$ 57,374	\$ 6,819	\$ 64,193

ARTESIA CEMETERY DISTRICT
Notes to the financial Statements
June 30, 2020 and 2019

The future principal and interest lease payments as of June 30, 2019, were as follows:

Year Ended June 30, 2019			
Fiscal Year			
Ending			
June 30,	Principal	Interest	Total
2020	40,000	319	40,319
Totals	<u>\$ 40,000</u>	<u>\$ 319</u>	<u>\$ 40,319</u>

During the year ended June 30, 2019, 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 \$56,009 during the current fiscal year ended June 30, 2019. As of June 30, 2019, the value of the lease liability was \$40,000. The District paid off the lease during the year ended June 30, 2020. The lease has an interest rate of 3%. The equipment has a seven-year estimated useful life.

A summary of changes in long-term obligations as of June 30, 2020 and 2019 is as follows:

Primary Government:	Balance			Balance	Due Within
	July 1, 2019	Increases	Decreases	June 30, 2020	One Year
Leases	\$ 40,000	\$ 60,865	\$ (43,491)	\$ 57,374	\$ 57,374
Compensated absences payable	1,584	11,839	(7,196)	6,227	623
Total	<u>\$ 41,584</u>	<u>\$ 72,704</u>	<u>\$ (50,687)</u>	<u>\$ 63,601</u>	<u>\$ 57,997</u>

Primary Government:	Balance			Balance	Due Within
	July 1, 2018	Increases	Decreases	June 30, 2019	One Year
Leases	\$ -	\$ 40,000	\$ -	\$ 40,000	\$ 40,000
Compensated absences payable	222	2,754	(1,392)	1,584	158
Total	<u>\$ 222</u>	<u>\$ 42,754</u>	<u>\$ (1,392)</u>	<u>\$ 41,584</u>	<u>\$ 40,158</u>

Note 7—Interfund receivables and payables

The composition of interfund balances as of June 30, 2020 and 2019, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>2020</u>	<u>2019</u>
Permanent Fund	General Fund	\$ 908,284	\$ 908,284

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.

ARTESIA CEMETERY DISTRICT
Notes to the financial Statements
June 30, 2020 and 2019

Note 8—Stewardship, compliance, and accountability

A. Deficit fund equity

At June 30, 2020, the general fund, a major fund, has a deficit fund balance of \$ (703,415)

The reason for the deficit in this case is that the general fund borrowed and used endowment funds in prior years.

At June 30, 2019, the general fund, a major fund, has a deficit fund balance of \$ (668,725)

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 Heath and Safety Code Section 8726 for year ended June 30, 2019.

C. Excess of expenditures over appropriations

Nature of Violation – For the year ended June 30, 2020, expenditures exceeded appropriations in the amount of \$234,040. For the year ended June 30, 2019, expenditures exceeded appropriations in the amount of \$325,867.

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.

Note 10—Litigation

At June 30, 2020 and 2019, there were no matters of litigation involving the District or which would materially affect the District's financial position should any court decisions on pending matters not be favorable to such entities.

Note 11—Subsequent events

Investment in LAIF – 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.

Payoff of Lease – On January 31, 2021, the District paid off the lease initiated on February 15, 2020.

Repayment of Advanced Funds – 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.

ARTESIA CEMETERY DISTRICT
Notes to the financial Statements
June 30, 2020 and 2019

Note 12—Prior period adjustment

The July 1, 2018 beginning net position and fund balances are restated to reflect the following corrections noted in the year ended June 30, 2019 that relate to prior years:

Government-wide financial statements:

	2019
Cash in County of Los Angeles Investment Pool	\$ 744
Property tax receivable	6,374
Accrued interest receivable	72
Deferred revenue reversal to net position	88,798
Misstatement of liabilities	67,212
Total prior period adjustment - net position	\$ 163,200

	General Fund	Permanent Fund	Total Governmental Funds
Governmental funds financial statements:			
Cash in County of Los Angeles Investment Pool	\$ 744	\$ -	\$ 744
Property tax receivable	6,374	-	6,374
Accrued interest receivable	72	-	72
Deferred revenue reversal to net position	88,798	-	88,798
Misstatement of liabilities	83,221	-	83,221
Total prior period adjustment - fund balances	\$ 179,209	\$ -	\$ 179,209

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Required Supplementary Information

ARTESIA CEMETERY DISTRICT
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 238,000	\$ 238,000	\$ 173,860	\$ (64,140)
Redevelopment taxes	-	-	71,603	71,603
Charges for services	192,000	196,800	358,692	161,892
Operating grants and contributions	61,000	61,000	-	(61,000)
Investment earnings	-	-	455	455
Gain on sale of assets	-	-	28,935	28,935
Other revenue	2,160	2,160	2,160	-
Total revenues	<u>493,160</u>	<u>497,960</u>	<u>635,705</u>	<u>137,745</u>
EXPENDITURES				
Current operations:				
Salaries and wages	251,400	263,040	290,962	(27,922)
Employee benefits	73,584	59,400	51,046	8,354
Facilities	112,200	110,400	151,401	(41,001)
Materials and services	55,624	64,380	79,104	(14,724)
Capital outlay	-	-	114,007	(114,007)
Debt service:				
Principal	-	-	43,491	(43,491)
Interest	-	-	1,249	(1,249)
Total expenditures	<u>492,808</u>	<u>497,220</u>	<u>731,260</u>	<u>(234,040)</u>
Excess (deficiency) of revenues over expenditures	<u>352</u>	<u>740</u>	<u>(95,555)</u>	<u>96,295</u>
Other Financing Sources (Uses)				
Principal issued for capital lease	\$ -	\$ -	60,865	\$ 60,865
Total other financing sources	<u>-</u>	<u>-</u>	<u>60,865</u>	<u>60,865</u>
Net change in fund balances	352	740	(34,690)	157,160
Fund balance - beginning	<u>(668,725)</u>	<u>(668,725)</u>	<u>(668,725)</u>	<u>-</u>
Fund balance - ending	<u>\$ (668,373)</u>	<u>\$ (667,985)</u>	<u>\$ (703,415)</u>	<u>\$ 157,160</u>

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

ARTESIA CEMETERY DISTRICT
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 58,336	\$ 58,336	\$ 164,472	\$ 106,136
Redevelopment taxes	24,475	24,475	64,076	39,601
Charges for services	52,000	52,000	270,650	218,650
Operating grants and contributions	20,333	20,333	189,000	168,667
Investment earnings	-	-	239	239
Other revenue	-	-	3,547	3,547
Total revenues	<u>155,144</u>	<u>155,144</u>	<u>\$ 691,984</u>	<u>\$ 536,840</u>
EXPENDITURES				
Current operations:				
Salaries and wages	103,300	103,300	146,459	(43,159)
Employee benefits	15,200	15,200	27,574	(12,374)
Facilities	25,384	25,384	70,717	(45,333)
Materials and services	4,167	4,167	65,703	(61,536)
Capital outlay	-	-	151,010	(151,010)
Debt service:				
Principal	6,400	6,400	16,009	(9,609)
Interest	-	-	2,846	(2,846)
Total expenditures	<u>154,451</u>	<u>154,451</u>	<u>480,318</u>	<u>(325,867)</u>
Excess (deficiency) of revenues over expenditures	<u>693</u>	<u>693</u>	<u>211,666</u>	<u>210,973</u>
Other Financing Sources (Uses)				
Principal issues for capital lease	-	-	40,000	40,000
Transfers in/(out)	-	-	(3,404)	(3,404)
Total other financing sources	<u>-</u>	<u>-</u>	<u>36,596</u>	<u>36,596</u>
Net change in fund balances	<u>693</u>	<u>693</u>	<u>248,262</u>	<u>247,569</u>
Fund balance - beginning	(1,096,196)	(1,096,196)	(1,096,196)	-
Prior period adjustment	179,209	179,209	179,209	-
Fund balance - beginning, restated	<u>(916,987)</u>	<u>(916,987)</u>	<u>(916,987)</u>	<u>-</u>
Fund balance - ending	<u>\$ (916,294)</u>	<u>\$ (916,294)</u>	<u>\$ (668,725)</u>	<u>\$ 247,569</u>

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

ARTESIA CEMETERY DISTRICT
Notes to Supplementary Information
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual
June 30, 2020 and 2019

Budgetary Basis of Accounting

Budgets for the general fund are prepared on generally accepted accounting principles 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.

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.