

# ARTESIA CEMETERY DISTRICT

## FINANCIAL STATEMENTS

June 30, 2018 and 2017



**ARTESIA CEMETERY DISTRICT**

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June 30, 2018 and 2017

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of  
Artesia Cemetery District  
Artesia, CA

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, 2018 and 2017, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Because of the matter described in the "Basis for Disclaimer of Opinion" paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the governmental activities of the District.

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.

### **Basis for Disclaimer of Opinion**

We were unable to satisfy ourselves with other auditing procedures concerning cash and bank drafts balances at June 30, 2018 and 2017 which is stated in the Statement of Net Position and Balance Sheet at \$17,406, \$2,872, \$7,432, and \$366, respectively. Records of bank statements, bank reconciliations, and investment statements were misplaced and could not be found. In addition, the record keeping for accounts receivable and the preneed liability invoices were not kept. The accounts receivable balances were \$21,833 at June 30, 2018 and \$30,402 at June 30, 2017. The deferred revenues balances were \$88,798 and \$88,798 at June 30, 2018 and 2017, respectively. We were unable to confirm the accounts receivable and related deferred revenues balances. Furthermore, the District did keep or store all customer invoices. We were unable to verify the program revenues of the District. Total program revenues were \$428,829 and \$347,076 for the fiscal years ended June 30, 2018 and 2017. Vendor invoices were not kept. We were unable to verify the expenditures and its related liabilities at and for the fiscal years ended June 30, 2018 and 2017. Total program expenses were \$640,016 and \$639,406 for fiscal years ended June 30, 2018 and 2017. At June 30, 2018 and 2017, total accounts payable and other accrued liabilities were \$99,026 and \$88,922, respectively.

### **Disclaimer of Opinion**

Because of the significance of the matters described in the Basis for Disclaimer of Opinion Paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

### **Other Matters**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budget to actual report on pages 3-7 and pages 24-25 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*

David Farnsworth, CPA

Dublin, CA

May 28, 2019

**ARTESIA CEMETERY DISTRICT**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**  
June 30, 2018 and 2017

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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, 2018 and 2017. 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, 2018.

- In total, government-wide net position was \$208,461.
- General revenues were \$162,319 or 27 percent of total revenues.
- Program revenues were for \$428,839 or 73 percent of total revenues.
- Total government-wide assets were \$444,441.
- Total program expenses were \$640,016.

The following summarizes the District financial highlights for the year ended June 30, 2017:

- In total, government-wide net position was \$257,319.
- General revenues accounted for \$213,827 or 38 percent of total revenues.
- Program revenues were \$213,827 or 62 percent of total revenues.
- Total government-wide assets were \$480,689.
- Total program expenses were \$639,406.

**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

### **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.

**ARTESIA CEMETERY DISTRICT**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**  
June 30, 2018 and 2017

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**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

The following table presents a summary of the District's statement of net position by category as of June 30, 2018 and 2017.

**TABLE 1: NET POSITION**

<b>Assets</b>	<b>June 30, 2018</b>	<b>June 30, 2017</b>	<b>Difference</b>
Current and other assets	\$48,068	\$45,791	\$2,277
Capital assets	396,373	434,898	(38,525)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total assets	\$444,441	\$480,689	\$ (36,248)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Liabilities</b>			
Current and other liabilities	\$235,980	\$223,370	12,610
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities	235,980	223,370	12,610
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Net Position</b>			
Restricted	908,284	807,834	100,450
Net investment in capital assets	396,373	434,898	(38,525)
Unrestricted	(1,096,196)	(985,413)	(110,783)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total net position	\$208,461	\$257,319	\$ (48,858)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Assets</b>	<b>June 30, 2017</b>	<b>June 30, 2016</b>	<b>Difference</b>
Current and other assets	\$45,791	\$60,286	\$ (14,495)
Capital assets	434,898	474,401	(39,503)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total assets	\$480,689	\$534,687	\$ (53,998)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Liabilities</b>			
Current and other liabilities	\$223,370	\$198,865	24,505
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities	223,370	198,865	24,505
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Net Position</b>			
Restricted	807,834	735,384	72,450
Net investment in capital assets	434,898	434,898	-
Unrestricted	(985,413)	(834,460)	(150,953)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total net position	\$257,319	\$335,822	\$ (78,503)
	<u>                    </u>	<u>                    </u>	<u>                    </u>

**ARTESIA CEMETERY DISTRICT**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**  
 June 30, 2018 and 2017

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**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)**

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

**TABLE 2: ACTIVITIES**

<b>Revenues</b>	<b>June 30, 2018</b>	<b>June 30, 2017</b>	<b>Difference</b>
Program revenues	\$ 428,839	\$ 347,076	\$ 81,763
General revenues	<u>162,319</u>	<u>213,827</u>	<u>(51,508)</u>
Total revenues	<u>591,158</u>	<u>560,903</u>	<u>30,255</u>
<b>Program expenses</b>			
Program expenses	601,491	599,903	1,588
Depreciation	<u>38,525</u>	<u>39,503</u>	<u>(978)</u>
Total expenses	<u>640,016</u>	<u>639,406</u>	<u>610</u>
Change in net position	<u>\$ (48,858)</u>	<u>\$ (78,503)</u>	<u>\$ 29,645</u>

**General Fund Budgetary Highlights**

The District did not create a budget for fiscal years ended June 30, 2018 and 2017.

**Capital Assets and Debt Administration**

As of June 30, 2018, the District owned the following capital assets:

**TABLE 3: CAPITAL ASSETS**

<b>Capital Assets</b>	<b>June 30, 2018</b>	<b>June 30, 2017</b>	<b>Difference</b>
Land	\$ 56,297	\$ 56,297	\$ -
Structures and improvements	409,662	409,662	-
Equipment	189,711	189,711	-
Accumulated depreciation	<u>(259,297)</u>	<u>(220,772)</u>	<u>(38,525)</u>
Total capital assets	<u>\$ 396,373</u>	<u>\$ 434,898</u>	<u>\$ (38,525)</u>



**ARTESIA CEMETERY DISTRICT**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**  
June 30, 2018 and 2017

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**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)**

**Capital Assets and Debt Administration (Continued)**

**TABLE 4: CAPITAL ASSETS**

<b>Capital Assets</b>	<b>June 30, 2017</b>	<b>June 30, 2016</b>	<b>Difference</b>
Land	\$ 56,297	\$ 56,297	\$ -
Structures and improvements	409,662	409,662	-
Equipment	189,711	189,711	-
Accumulated depreciation	<u>(220,772)</u>	<u>(181,269)</u>	<u>(39,503)</u>
Total capital assets	<u>\$ 434,898</u>	<u>\$ 474,401</u>	<u>\$ (39,503)</u>

**Long Term Debt**

The District did not have any long-term debt outstanding as of June 30, 2018 and 2017.

**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.

**ARTESIA CEMETERY DISTRICT**

## Statement of Net Position

June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>Assets</b>		
Cash and cash equivalents	\$17,406	\$ 7,432
Contract receivable	21,833	30,402
Investments	2,683	2,683
Taxes receivable	6,146	5,274
Capital assets, net of accumulated depreciation	<u>396,373</u>	<u>434,898</u>
Total assets	<u>\$ 444,441</u>	<u>\$ 480,689</u>
<b>Liabilities</b>		
Accounts payable and other accrued liabilities	99,026	\$ 88,922
Payroll liabilities	29,497	29,497
Deferred revenues	88,798	88,798
Bank draft	2,872	366
Current portion of liabilities	<u>15,787</u>	<u>15,787</u>
Total liabilities	<u>235,980</u>	<u>223,370</u>
<b>Net Position</b>		
Restricted	908,284	807,834
Net investment in capital assets	396,373	434,898
Unrestricted	<u>(1,096,196)</u>	<u>(985,413)</u>
Total net position	<u>\$ 208,461</u>	<u>\$ 257,319</u>

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

**ARTESIA CEMETERY DISTRICT**  
Statement of Activities  
For the Years Ended June 30, 2018 and 2017

<b>Expenses:</b>	<b>2018</b>	<b>2017</b>
Salaries and benefits	\$ 434,701	\$ 399,058
Trustee stipend	1,100	-
Repairs, Maintenance, and Supplies	37,541	42,607
Depreciation	38,525	39,503
Vehicle operations	4,685	6,356
Lease & Rent	2,449	4,711
Misappropriation of asset	61,247	109,981
Administrative	58,573	36,198
Miscellaneous	1,195	992
 Total program expenses	 <u>640,016</u>	 <u>639,406</u>
 <b>Program Revenues:</b>		
Charges for services	<u>428,839</u>	<u>347,076</u>
 Net program expenses	 <u>211,177</u>	 <u>292,330</u>
 <b>General Revenues:</b>		
Property taxes	162,057	204,459
Other income	<u>262</u>	<u>9,368</u>
 Total general revenues	 <u>162,319</u>	 <u>213,827</u>
 Change in net position	 (48,858)	 (78,503)
 Net position - beginning	 <u>257,319</u>	 <u>335,822</u>
 Net position - end of year	 <u><u>\$ 208,461</u></u>	 <u><u>\$ 257,319</u></u>

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

**ARTESIA CEMETERY DISTRICT**

Governmental Funds

Balance Sheet

June 30, 2018 and 2017

	<b>General Funds</b>	<b>Endowment Fund</b>	<b>2018 Total Governmental Funds</b>	<b>General Funds</b>	<b>Endowment Fund</b>	<b>2017 Total Governmental Funds</b>
<b>Assets</b>						
Cash and cash equivalents	\$ 17,406	\$ -	\$ 17,406	\$ 7,432		\$ 7,432
Contract receivable	21,833	-	21,833	30,402		30,402
Investments	2,683	-	2,683	2,683		2,683
Taxes receivable	6,146	-	6,146	5,274		5,274
Due from general fund	-	908,284	908,284	-	807,834	807,834
	<u>-</u>	<u>908,284</u>	<u>908,284</u>	<u>-</u>	<u>807,834</u>	<u>807,834</u>
Total assets	<u>\$ 48,068</u>	<u>\$ 908,284</u>	<u>956,352</u>	<u>\$ 45,791</u>	<u>\$ 807,834</u>	<u>853,625</u>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable and other accrued liabilities	\$ 99,026	\$ -	\$ 99,026	\$ 88,922	\$ -	\$ 88,922
Payroll liabilities	29,497	-	29,497	29,497	-	29,497
Deferred revenues	88,798	-	88,798	88,798	-	88,798
Bank draft	2,872	-	2,872	366	-	366
Lease liability	15,787	-	15,787	15,787	-	15,787
Due to endowment fund	908,284	-	908,284	807,834	-	807,834
	<u>908,284</u>	<u>-</u>	<u>908,284</u>	<u>807,834</u>	<u>-</u>	<u>807,834</u>
Total liabilities	<u>1,144,264</u>	<u>-</u>	<u>1,144,264</u>	<u>1,031,204</u>	<u>-</u>	<u>1,031,204</u>
<b>Fund balances</b>						
<b>Nonspendable</b>						
Endowment fund	-	908,284	908,284	-	807,834	807,834
Unassigned	(1,096,196)	-	(1,096,196)	(985,413)	-	(985,413)
	<u>(1,096,196)</u>	<u>-</u>	<u>(1,096,196)</u>	<u>(985,413)</u>	<u>-</u>	<u>(985,413)</u>
Total fund balance	<u>(1,096,196)</u>	<u>908,284</u>	<u>(187,912)</u>	<u>(985,413)</u>	<u>807,834</u>	<u>(177,579)</u>
Total liabilities and fund balances	<u>\$ 48,068</u>	<u>\$ 908,284</u>	<u>\$ 956,352</u>	<u>\$ 45,791</u>	<u>\$ 807,834</u>	<u>\$ 853,625</u>

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

**ARTESIA CEMETERY DISTRICT**

Reconciliation of the Governmental Funds Balance Sheet to the  
Statement of Net Position  
June 30, 2018 and 2017

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	<u>2018</u>	<u>2017</u>
Fund balances of governmental fund	\$ (187,912)	(177,579)
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation, are not current financial resources and are not included in the governmental fund	<u>396,373</u>	<u>434,898</u>
Net position of governmental activities	<u>\$ 208,461</u>	<u>\$ 257,319</u>

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

**ARTESIA CEMETERY DISTRICT**

Governmental Funds

Statement of Revenues, Expenditures, and Changes in Fund Balances

For the Years Ended June 30, 2018 and 2017

	<b>General Funds</b>	<b>Endowment Fund</b>	<b>2018 Total Governmental Funds</b>	<b>General Funds</b>	<b>Endowment Fund</b>	<b>2017 Total Governmental Funds</b>
<b>Revenues</b>						
Property taxes	\$ 162,057	\$ -	\$ 162,057	\$ 204,459	\$ -	\$ 204,459
Charges for services	328,389	100,450	428,839	274,626	72,450	347,076
Other income	262	-	262	9,368	-	9,368
<b>Total revenues</b>	<b>\$ 490,708</b>	<b>\$ 100,450</b>	<b>\$ 591,158</b>	<b>\$ 488,453</b>	<b>\$ 72,450</b>	<b>\$ 560,903</b>
<b>Expenditures</b>						
Salaries and benefits	434,701	-	434,701	399,058	-	399,058
Trustee stipend	1,100	-	1,100	-	-	-
Repairs, maintenance, and supplies	37,541	-	37,541	42,607	-	42,607
Vehicle operations	4,685	-	4,685	6,356	-	6,356
Lease	2,449	-	2,449	4,711	-	4,711
Misappropriation of asset	61,247	-	61,247	109,981	-	109,981
Administrative	58,573	-	58,573	36,198	-	36,198
Miscellaneous	1,195	-	1,195	992	-	992
<b>Total expenditures</b>	<b>601,491</b>	<b>-</b>	<b>601,491</b>	<b>599,903</b>	<b>-</b>	<b>599,903</b>
<b>Net change in fund balances</b>	<b>(110,783)</b>	<b>100,450</b>	<b>(10,333)</b>	<b>(111,450)</b>	<b>72,450</b>	<b>(39,000)</b>
Fund balances, beginning of year	(985,413)	807,834	(177,579)	(873,963)	735,384	(138,579)
Fund balances, end of year	<u>\$ (1,096,196)</u>	<u>\$ 908,284</u>	<u>\$ (187,912)</u>	<u>\$ (985,413)</u>	<u>\$ 807,834</u>	<u>\$ (177,579)</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 Governmental Fund Balances to the Statement of Activities  
For the Years Ended June 30, 2018 and 2017

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	<u>2018</u>	<u>2017</u>
Net change in fund balances - governmental funds	\$ (10,333)	\$ (39,000)
Amounts reported for governmental activities in the statement of activities are different because of the following:		
Depreciation expense related to capital assets is recognized in the statement of activities, but is not reported in the funds.	<u>(38,525)</u>	<u>(39,503)</u>
Change in net position of governmental activities	<u>\$ (48,858)</u>	<u>\$ (78,503)</u>

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

**ARTESIA CEMETERY DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2018 and 2017

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**NOTE 1. SUMMAR OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Organization**

The Artesia Cemetery District was formed September 24, 1928, under authority of Section 8890, et. Seq. of the Health and Safety Code of the purpose of offering interment and other related services to the general public. 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 three-member Board of Trustees, appointed by Los Angeles County Board of Supervisors.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**B. Reporting Entity**

The reporting entity is the Artesia Cemetery District. There are no component units included in this report which meets the criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity, as amended by GASB Statements No. 39, No. 61, and No. 80.

**C. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include burial and other related services. Taxes and other items not included among program revenues are reported instead as general revenues. Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**D. Basis of Presentation**

Government-wide Financial Statements:

The government-wide statements are prepared using the economic resources measurement focus. This approach differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function.



**ARTESIA CEMETERY DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2018 and 2017

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**NOTE 1. SUMMAR OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Basis of Presentation**

The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements:

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all nonmajor funds are aggregated into one column.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases, (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

**E. Basis of Accounting**

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Revenues — exchange and non-exchange transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within 60 days after fiscal year-end. Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes and grants. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

**ARTESIA CEMETERY DISTRICT**  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2018 and 2017

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**NOTE 1. SUMMAR OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Basis of Accounting (Continued)**

Unearned revenue:

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants received before eligibility requirements are met are recorded as deferred revenue. On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as unearned revenue.

Expenses/expenditures:

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first then unrestricted resources as they are needed.

**G. Fund Accounting**

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance or net position, revenues, and expenditures. The District's resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's accounts are organized into three major funds as follows:

Major Governmental Funds:

The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

The Endowment Permanent Fund is used to report resources that are legally restricted to the extent that only earnings, and not principal, maybe used for future maintenance of the cemetery.

**H. Budget and Budgetary Accounting**

The District adopts an annual budget. From the effective date of the budget, the amounts stated as proposed expenditures become appropriations.

The Board of Trustees may amend the budget by motion during each fiscal year. The original and revised budgets are presented for the General Fund.

**ARTESIA CEMETERY DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2018 and 2017

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**NOTE 1. SUMMAR OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**I. Budget and Budgetary Accounting (Continued)**

All appropriations lapse at the end of the fiscal year to the extent that they have not been expended. Lease contracts entered into by the District are subject to annual review by the Board of Trustees; hence, they legally are one-year contracts with an option for renewal for another fiscal year.

**F. Prepaid Expenditures**

The District has the option of reporting expenditures in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure during the period benefited.

**G. Encumbrances**

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is not utilized by the District.

**H. Capital Assets**

Capital assets (including infrastructure) are recorded at cost where historical records are available and at an estimated original cost where no historical records exist. Contributed capital assets are valued at their estimated fair value at the date of the contribution.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the governmental column in the government-wide financial statements. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the statement of net position. The estimated useful lives are as follows:

Equipment	5 to 15 years
Structures	15 to 50 years

**I. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and the American Institute of Certified Public Accountants, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**ARTESIA CEMETERY DISTRICT**  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2018 and 2017

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**NOTE 1. SUMMAR OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**J. Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources.

**J. Compensated Absences**

The District's policy permits employees to accumulate earned but unused vacation. Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and fund liability of the governmental fund from which it will be paid. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the government-wide financial statements.

**K. Fund Balances**

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent funds are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purpose of the District.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

**ARTESIA CEMETERY DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2018 and 2017

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**NOTE 1. SUMMAR OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**L. Fund Balances**

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

**N. Future Accounting Pronouncements**

GASB Statements listed below will be implemented in future financial statements:

GASB No. 83	“Certain Activities”	The provisions of this statement are effective fiscal years beginning after June 15, 2018
GASB No. 84	“Fiduciary Activates”	The provisions of this statement are effective fiscal years beginning after December 15, 2018
GASB No. 87	“Leases”	The provisions of this statement are effective fiscal years beginning after December 15, 2019
GASB No. 88	“Certain Debt Extinguishment Issues”	The provisions of this statement are effective fiscal years beginning after June 15, 2018
GASB No. 89	“Accounting for Interest Cost”	The provisions of this statement are effective fiscal years beginning after June 15, 2018
GASB No. 90	“Majority Equity Interests”	The provisions of this statement are effective fiscal years beginning after June 15, 2018

**NOTE 2. CASH AND INVESTMENTS**

On June 30, 2018, the District had the following cash and investments on hand:

	General Fund	Endowment Fund	Total
Cash in banks and on hand	\$ 17,406	\$ -	\$ 17,406
Total cash and investments	<u>\$ 17,406</u>	<u>\$ -</u>	<u>\$ 17,406</u>

**ARTESIA CEMETERY DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2018 and 2017

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**NOTE 2. CASH AND INVESTMENTS**

On June 30, 2017, the District had the following cash and investments on hand:  
follows:

Cash and investments, statement of net position	<u>\$ 7,432</u>
Total cash and investments	<u>\$ 7,432</u>

**Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. Information about the sensitivity of the fair values of the District's investments (including investments held by fiscal agents) to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity.

Investment balances as of June 30, 2018 and 2017 were the following:

<b><u>Investment Type</u></b>	<b><u>Carrying Amount</u></b>	<b><u>Remaining Maturity (in Months)</u></b>			
		<b><u>12 Months Or Less</u></b>	<b><u>13 - 24 Months</u></b>	<b><u>25 - 60 Months</u></b>	<b><u>More than 60 Months</u></b>
Merrill Lynch Investments	<u>\$ 2,683</u>	<u>\$ 2,683</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total	<u>\$ 2,683</u>	<u>\$ 2,683</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Disclosures Relating to 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. This is measured by the assignment of rating by a nationally recognized statistical rating organization. Presented below, is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

**ARTESIA CEMETERY DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2018 and 2017

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**NOTE 2. CASH AND INVESTMENTS**

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represent 5% or more of total District investments.

**NOTE 3. CAPITAL ASSETS**

The District capital asset activity for the fiscal years ended June 30, 2018 and 2017 is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
<b>GOVERNMENTAL ACTIVITIES:</b>				
Non-depreciable assets:				
Land	\$ 56,297	\$ -	\$ -	\$ 56,297
Total non-depreciable assets	<u>56,297</u>	<u>-</u>	<u>-</u>	<u>56,297</u>
Depreciable assets:				
Structures and improvements	409,662	-	-	409,662
Equipment	189,711	-	-	189,711
Total depreciable assets	<u>599,373</u>	<u>-</u>	<u>-</u>	<u>599,373</u>
Total capital assets	<u>\$ 655,670</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 655,670</u>
Accumulated depreciation:				
Structures and improvements	-	(18,557)	-	(18,557)
Equipment	-	(19,968)	-	(19,968)
Total accumulated depreciation	<u>-</u>	<u>(38,525)</u>	<u>-</u>	<u>(38,525)</u>
Total capital assets, net	<u>\$ 655,670</u>	<u>\$ (38,525)</u>	<u>\$ -</u>	<u>\$ 617,145</u>

**ARTESIA CEMETERY DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2018 and 2017

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**NOTE 3. CAPITAL ASSETS (Continued)**

	Beginning Balance	Additions	Retirements	Ending Balance
<b>GOVERNMENTAL ACTIVITIES:</b>				
Non-depreciable assets:				
Land	\$ 56,297	\$ -	\$ -	\$ 56,297
Total non-depreciable assets	<u>56,297</u>	<u>-</u>	<u>-</u>	<u>56,297</u>
Depreciable assets:				
Structures and improvements	409,662	-	-	409,662
Equipment	189,711	-	-	189,711
Total depreciable assets	<u>599,373</u>	<u>-</u>	<u>-</u>	<u>599,373</u>
Total capital assets	<u>655,670</u>	<u>-</u>	<u>-</u>	<u>655,670</u>
Accumulated depreciation:				
Structures and improvements	(70,444)	(15,484)	-	(85,928)
Equipment	(110,825)	(24,019)	-	(134,844)
Total accumulated depreciation	<u>(181,269)</u>	<u>(39,503)</u>	<u>-</u>	<u>(220,772)</u>
Total capital assets, net	<u>\$474,401</u>	<u>\$(39,503)</u>	<u>\$ -</u>	<u>\$434,898</u>

**NOTE 5. NET POSITION**

The government-wide financial statements utilize a net position presentation. GASB Statement No. 63 requires that the difference between assets added to the deferred outflows of resources and liabilities added to the deferred inflows of resources be reported as net position. Net position is categorized as either net investment in capital assets, restricted, and unrestricted.

*Net investment in capital assets* - This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.

*Restricted Net Position* - This category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

*Unrestricted Net Position* - This category represents net position of the District, not restricted for any project or other purpose.



**ARTESIA CEMETERY DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2018 and 2017

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**NOTE 6. EXCESS OF EXPENDITURES OVER BUDGET**

The District did not create a budget for fiscal years ended June 30, 2018 and 2017. Below show the expenses where no budget was created

General Fund	<u>2018</u>	<u>2017</u>
Salaries and benefits	\$ 434,701	\$ 399,058
Trustee stipend	1,100	-
Repairs, Maintenance, and Supplies	37,541	42,607
Vehicle operations	4,685	6,356
Lease & Rent	2,449	4,711
Misappropriation of asset	61,247	109,981
Administrative	58,573	36,198
Miscellaneous	1,195	992
	<u>\$ 601,491</u>	<u>\$ 599,903</u>

**NOTE 7. ENDOWMENT FUND**

Due to misappropriation of assets, the District spent endowment funds for general fund expenditures. The District is currently creating a plan for the general fund to reimbursement the endowment fund. The general fund borrowed \$100,450 for the fiscal year ended June 30, 2018 and borrowed \$72,450 for the fiscal year ended June 30, 2017. The total balance owed as of June 30, 2018 is \$908,284. The balance owed as of June 30, 2017 is \$807,834.

**NOTE 8. SUBSEQUENT EVENTS**

On September 11, 2018, due to concerns raised by the Artesia Cemetery District’s Board of Trustees, The Board of Supervisors instructed the Auditor-Controller to review the District’s business practices, finances, governance, and any other matters affecting the operation of the District. The Review was released on April 2, 2019.

**ARTESIA CEMETERY DISTRICT**

Governmental Funds

Statement of Revenues, Expenditures, and Changes in Fund Balances -

Budget and Actual

For the Year Ended June 30, 2018

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	<b>General Fund</b>		
	<b>Budgeted amounts original/final</b>	<b>Actual amounts</b>	<b>Variance with final budget positive/(negative)</b>
<b>Revenues</b>			
Property taxes	\$ -	\$ 162,057	\$ 162,057
Charges for services	-	328,389	328,389
Other income	-	262	262
	-	-	-
Total revenues	-	490,708	490,708
<b>Expenditures</b>			
Salaries and benefits	-	434,701	(434,701)
Trustee stipend	-	1,100	(1,100)
Repairs, maintenance, and supplies	-	37,541	(37,541)
Vehicle operations	-	4,685	(4,685)
Lease	-	2,449	(2,449)
Misappropriation of asset	-	61,247	(61,247)
Administrative	-	58,573	(58,573)
Miscellaneous	-	1,195	(1,195)
	-	-	-
Total expenditures	-	601,491	(601,491)
<b>Net change in fund balances</b>	-	(110,783)	1,092,199
Fund balances, beginning of year	(985,413)	(985,413)	-
Fund balances, end of year	<u>\$ (985,413)</u>	<u>\$ (1,096,196)</u>	<u>\$ (110,783)</u>

**ARTESIA CEMETERY DISTRICT**

Governmental Funds

Statement of Revenues, Expenditures, and Changes in Fund Balances -

Budget and Actual

For the Year Ended June 30, 2018

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	<b>General Fund</b>		
	<b>Budgeted amounts original/final</b>	<b>Actual amounts</b>	<b>Variance with final budget positive/(negative)</b>
<b>Revenues</b>			
Property taxes	\$ -	\$ 204,459	\$ 204,459
Charges for services	-	274,626	274,626
Other income	-	9,368	9,368
	<hr/>	<hr/>	<hr/>
Total revenues	-	488,453	488,453
	<hr/>	<hr/>	<hr/>
<b>Expenditures</b>			
Salaries and benefits	-	399,058	(399,058)
Trustee stipend	-	-	-
Repairs, maintenance, and supplies	-	42,607	(42,607)
Vehicle operations	-	6,356	(6,356)
Lease	-	4,711	(4,711)
Misappropriation of asset	-	109,981	(109,981)
Administrative	-	36,198	(36,198)
Miscellaneous	-	992	(992)
	<hr/>	<hr/>	<hr/>
Total expenditures	-	599,903	(599,903)
	<hr/>	<hr/>	<hr/>
<b>Net change in fund balances</b>	-	(111,450)	1,088,356
Fund balances, beginning of year	<u>(873,963)</u>	<u>(873,963)</u>	<u>-</u>
Fund balances, end of year	<u>\$ (873,963)</u>	<u>\$ (985,413)</u>	<u>\$ (111,450)</u>