

POMERADO CEMETERY DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2017

POMERADO CEMETERY DISTRICT

POWAY, CALIFORNIA

JUNE 30, 2017

MEMBER	OFFICE	TERM EXPIRES
Denise L. Polito	President	January 2018
James Lyon	Vice President	January 2021
Robert L. Thomas	Secretary	January 2020

ADMINISTRATION

Linda Robison General Manager

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POMERADO CEMETERY DISTRICT

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Pomerado Cemetery District
Poway, California

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities and each major fund of Pomerado Cemetery District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Pomerado Cemetery District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

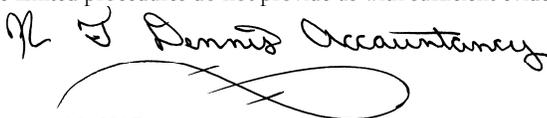
Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Pomerado Cemetery District, as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

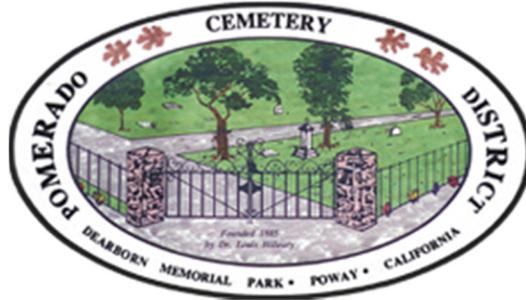
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension schedules on pages 3-9 and 39-41, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



October 10, 2017

RT DENNIS
ACCOUNTANCY



MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

Our discussion and analysis of Pomerado Cemetery District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2017. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's net position increased over \$625,000 over the course of this year's operations.
- During the year, the District's expenses were \$716,000 which was less than the \$1.3 million generated in taxes and other revenues for governmental programs. This is better than last year, when revenues exceeded expenses by \$335,000.
- The general fund reported an increase in fund balance this year of almost \$370,000.
- The resources available for appropriation were about the same this year as compared from last year. There was no significant change in operations.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financials Section

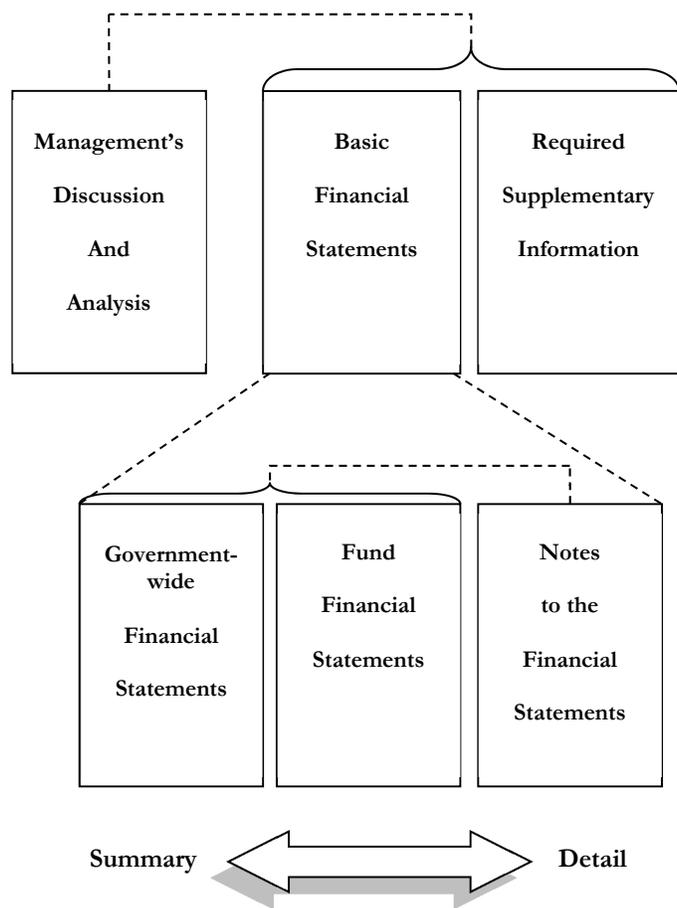
This annual report consists of four parts—*management’s discussion and analysis* (this section), the *basic financial statements*, *required supplementary information*, and *supplementary information*, which presents federal awards, state required schedules, and combining statements for nonmajor governmental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

**Figure A-1
 Required Components of Pomerado Cemetery District’s Annual Financial Report**

Special-purpose governments engaged in a single governmental program include cemetery districts. For such governments, it is still valuable to have both the comprehensive financial information of the governmental activities in the government-wide statements and the predominantly short-term data in the governmental funds statements. However, because there is only a single program, the format of some of the financial statements may seem awkward. With this in mind, the accounting standards allow these kinds of governments to employ alternative forms of presentation that involve combining the government-wide and fund financial statements using a columnar format that reconciles the two kinds of financial data in a separate column on each statement. The District has prepared a balance sheet/ statement of net position and a combined statement of revenues, expenditures, and changes in fund balances/ statement of activities like a fund statement format.

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

– *Fiduciary fund* statements provide information about the financial relationships—like the pre-need—in which the District acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.



POMERADO CEMETERY DISTRICT

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

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

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

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

Figure A-2
Major Features of Pomerado Cemetery District’s Government-wide and Fund Financial Statements

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

POMERADO CEMETERY DISTRICT

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

Government-wide Statements

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

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

Fund Financial Statements

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

- Some funds are required by State law.
- The District Board establishes other funds to control and manage money for particular purposes (like the capital projects fund) or to show that it is properly using certain revenues.

The District has two kinds of funds:

- *Governmental funds*—Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.
- *Fiduciary funds*—The District is the trustee, or *fiduciary*, for its pre-need activities. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

POMERADO CEMETERY DISTRICT

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

Financial Analysis of the District as a Whole

Net position. The District’s net position increased between fiscal years 2016 and 2017—to over \$5.8 million.

Table 1 - Net Position

<i>(Amounts in thousands)</i>	2017	2016	\$ Change	% Change
Current and other assets	\$ 3,456	\$ 3,191	\$ 265	8%
Noncurrent assets	2,757	2,638	119	5%
Total Assets	6,213	5,829	384	7%
Deferred outflows of resources	390	226	164	73%
Current liabilities	22	123	(101)	-82%
Non-current liabilities	503	487	16	3%
Total Liabilities	525	610	(85)	-14%
Deferred inflows of resources	255	249	6	2%
Net position				
Net investment in capital assets	1,079	1,079	-	0%
Restricted	1,167	1,091	76	7%
Unrestricted	3,576	3,027	549	18%
Total Net Position	\$ 5,822	\$ 5,197	\$ 625	12%

However, the unrestricted component of the net position is just over \$3.5 million and the rest is restricted to endowment care corpus and are invested in capital assets (buildings, equipment, and so on).

Changes in net position. The District’s total revenues increased by twenty one percent to \$1.3 million. (See Table 2.) A little over half of the District’s revenue comes from property taxes. The rest comes mostly from fees charged for burial services and grave sales.

The total cost of all programs and services was down this year (decreasing approximately \$60,000, or about eight percent). The majority of the District’s expenses are salary and benefit related.

Table 2 - Changes in Net Position

<i>(Amounts in thousands)</i>	2017	2016	\$ Change	% Change
Program revenue	\$ 641	\$ 394	\$ 247	63%
General revenue	701	717	(16)	-2%
Total Revenue	1,342	1,111	231	21%
Salaries and benefits	365	520	(155)	-30%
Supplies and services	243	172	71	41%
Other charges	108	84	24	29%
Total Expenses	716	776	(60)	-8%
Increase in net position	\$ 626	\$ 335	\$ 291	87%

POMERADO CEMETERY DISTRICT

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

Financial Analysis of the District’s Funds

As the District completed the year, its governmental funds reported a *combined* fund balance of \$5.1 million. Included in this year’s total change in fund balance is an increase from pre-need grave sales to the General Fund from the Pre-Need Fund of over \$259,000. In addition, these other changes in fund balances should be noted:

- Salaries and Benefits decreased from employee turnover.

General Fund Budgetary Highlights

Three percent cost of living increase to Operations and Employee wages.
Endowment Fee from \$845 to \$870.
Non-Resident Fee from \$1,195 to \$1,265

Capital Asset and Debt Administration

Capital Assets

At the end of 2017, the District had a broad range of capital assets, including buildings, and equipment. (See Table 3.)

Table 3 - Capital Assets, Net of Depreciation

<i>(Amounts in thousands)</i>	2017	2016	\$ Change	% Change
Land	\$ 123	\$ 123	\$ -	0%
Buildings, improvements, and equipment	955	955	-	0%
Total	\$ 1,078	\$ 1,078	\$ -	0%

This year’s major capital asset additions included:

- Two mowers, almost \$67,000
- Security camera system, a little over \$13,000.
- Disposal of two older mowers that were fully depreciated.

POMERADO CEMETERY DISTRICT

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

Long-Term Debt

At year-end the District had \$503,000 in compensated absences and net pension liabilities—as shown in Table 4. More detailed information about the District’s long-term liabilities is presented in Note 8 to the financial statements.

Table 4 - Long-Term Liabilities

<i>(Amounts in thousands)</i>	2017	2016	\$ Change	% Change
Vacation accrual	\$ 12	\$ 20	\$ (8)	-40%
NPL	491	467	24	5%
Total	\$ 503	\$ 487	\$ 16	3%

Economic Factors and Next Year’s Budgets and Rates

At the time these financial statements were prepared and audited, the District was aware of several circumstances that could affect its future financial health.

- Property Tax – The property tax includes all current and prior secured and unsecured property taxes. The property tax revenue is projected to be \$665,600.
- Services and Lot Sales projected \$448,058.
- The remaining revenue is interest earned from the County of San Diego for the General Fund and the Capital Outlay Fund projected at \$4,230. Estimated interest and dividends on investments with Wells Fargo Advisors for the Endowment Principal Fund and Endowment Income Fund is \$109,000.
- Salaries and Benefits – Scale increases are factored into the budget for employee wages, as not all employees have reached the top pay step. Allocations for overtime, annual leave payouts, vacation and sick accruals are also considered. Benefits include retirement with CalPERS, employee medical with CalPERS Health, vision, dental and life insurance coverage. Social security and worker’s compensation insurance are also factors.

Contacting the District’s Financial Management

The financial report is designed to provide our citizens, taxpayers, parents, participants, investors and creditors with a general overview of the District’s finances and to demonstrate the District’s accountability for money it receives. If you have any questions about this report, or need additional financial information, contact the general manager at 14361 Tierra Bonita Road, Poway, CA 92064.

POMERADO CEMETERY DISTRICT

GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET POSITION
 JUNE 30, 2017

	General Fund	Capital Outlay Fund	Endowment Care Fund
ASSETS			
Cash and cash equivalents	\$ 2,636,613	\$ 371,491	\$ 440,091
Accrued receivables	6,311	1,101	-
Investments	-	-	1,678,439
Nondepreciable capital assets	-	-	-
Depreciable capital assets, net	-	-	-
Total Assets	2,642,924	372,592	2,118,530
DEFERRED OUTFLOWS OF RESOURCES	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 2,642,924	\$ 372,592	\$ 2,118,530
LIABILITIES			
Accrued payables	\$ 21,941	\$ -	\$ -
Long-term liabilities	-	-	-
Total Liabilities	21,941	-	-
DEFERRED INFLOWS OF RESOURCES	-	-	-
FUND BALANCE / NET POSITION			
Fund Balance			
Non-spendable	200	-	1,166,922
Restricted	259,144	-	-
Assigned	-	372,592	951,608
Unassigned	2,361,639	-	-
Net Position			
Net investment in capital assets	-	-	-
Restricted	-	-	-
Unrestricted	-	-	-
Total Fund Balance / Net Position	2,620,983	372,592	2,118,530
TOTAL LIABILITIES, DEFERRED OUTFLOWS OF RESOURCES, AND FUND BALANCE / NET POSITION	\$ 2,642,924	\$ 372,592	\$ 2,118,530

The accompanying notes are an integral part of these financial statements

Total		
Governmental Funds	Adjustments (Note 2-A.)	Statement of Net Position
\$ 3,448,195	\$ -	\$ 3,448,195
7,412	-	7,412
1,678,439	-	1,678,439
-	123,433	123,433
-	955,393	955,393
<u>5,134,046</u>	<u>1,078,826</u>	<u>6,212,872</u>
-	390,000	390,000
<u>\$ 5,134,046</u>	<u>\$ 1,468,826</u>	<u>\$ 6,602,872</u>
\$ 21,941	\$ -	\$ 21,941
-	503,443	503,443
<u>21,941</u>	<u>503,443</u>	<u>525,384</u>
-	255,000	255,000
1,167,122	(1,167,122)	-
259,144	(259,144)	-
1,324,200	(1,324,200)	-
2,361,639	(2,361,639)	-
-	1,078,826	1,078,826
-	1,166,922	1,166,922
-	3,576,740	3,576,740
<u>5,112,105</u>	<u>710,383</u>	<u>5,822,488</u>
<u>\$ 5,134,046</u>	<u>\$ 1,468,826</u>	<u>\$ 6,602,872</u>

POMERADO CEMETERY DISTRICT

GOVERNMENTAL FUNDS STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Capital Outlay Fund	Endowment Care Fund
REVENUE			
Program revenue, charges for services	\$ 537,639	\$ 14,167	\$ 89,570
Property taxes, general purpose	661,887	-	-
Grants and contributions not restricted to specific programs	11,863	-	-
Revenue from use of money	11,685	3,900	7,019
Other revenues	4,366	-	-
Total Revenue	1,227,440	18,067	96,589
EXPENDITURES / EXPENSES			
Current:			
Salaries and wages	278,101	-	-
Benefits	227,744	-	-
Supplies	85,672	-	-
Services	157,617	-	-
Other charges	27,481	-	-
Depreciation	-	-	-
Capital Outlay	80,981	-	-
Total Expenditures / Expenses	857,596	-	-
NET CHANGE IN FUND BALANCE / NET POSITION	369,844	18,067	96,589
Fund Balance / Net Position - Beginning	2,251,139	354,525	2,021,941
Fund Balance / Net Position - Ending	\$ 2,620,983	\$ 372,592	\$ 2,118,530

The accompanying notes are an integral part of these financial statements

Total		
Governmental Funds	Adjustments (Note 2-B.)	Statement of Net Position
\$ 641,376	\$ -	\$ 641,376
661,887	-	661,887
11,863	-	11,863
22,604	-	22,604
4,366	-	4,366
<u>1,342,096</u>	<u>-</u>	<u>1,342,096</u>
278,101	(7,256)	270,845
227,744	(133,838)	93,906
85,672	-	85,672
157,617	-	157,617
27,481	-	27,481
-	80,982	80,982
80,981	(80,981)	-
<u>857,596</u>	<u>(141,093)</u>	<u>716,503</u>
484,500	141,093	625,593
<u>4,627,605</u>	<u>569,290</u>	<u>5,196,895</u>
<u>\$ 5,112,105</u>	<u>\$ 710,383</u>	<u>\$ 5,822,488</u>

POMERADO CEMETERY DISTRICT

**STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2017**

	<u>Pre-Need</u>
ASSETS	
Cash and cash equivalents	\$ 352,805
Investments	579,922
<hr/>	
TOTAL ASSETS	\$ 932,727
<hr/>	
FIDUCIARY NET POSITION	
Restricted	\$ 640,000
Unrestricted	292,727
<hr/>	
TOTAL FIDUCIARY NET POSITION	\$ 932,727
<hr/>	

The accompanying notes are an integral part of these financial statements

POMERADO CEMETERY DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Pre-Need</u>
ADDITIONS	
Pre-need sales	\$ 210,711
Revenue from use of money	12,920
Total Additions	<u>223,631</u>
DEDUCTIONS	
Services	248,561
NET CHANGE IN FIDUCIARY NET POSITION	<u>(24,930)</u>
Fiduciary Net Position - Beginning	<u>957,657</u>
Fiduciary Net Position - Ending	<u>\$ 932,727</u>

The accompanying notes are an integral part of these financial statements

POMERADO CEMETERY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1 - A. Financial Reporting Entity

The Pomerado Cemetery District (“the District”) is a public cemetery district operating under the provisions of the Health and Safety Code of the State of California. The District was formed in 1950, The District is governed by a Board of Trustees (Board) that acts as the authoritative body of the entity. The Board is comprised of three members appointed by the San Diego County Board of Supervisors. Each member serves a term of four years; there are no term limits for reappointment. Board members may receive up to \$100 per meeting compensation for attending monthly and any special meetings, up to a maximum of four meetings per month.

The Board of Trustees annually elects officers from existing Board members. A Chair (person), Vice Chair (person), and Secretary are elected. Each officer serves a term of one year; there are no term limits for reappointment. The Chair responsibilities are to preside at all meetings of the Board and perform all duties commonly incident to the position of presiding officer of a board, commission or business organization.

1 - B. Other Related Entities

Joint Powers Authority (“JPA”). The District is associated with one JPA. This organizations does not meet the criteria for inclusion as a component unit of the District. Additional information is presented in Note 10 to the financial statements. The organization is Special District Risk Management Authority (“SDRMA”).

1 - C. Basis of Presentation

Fund Financial Statements. The fund financial statements provide information about the District's funds, including its fiduciary. Separate statements for each fund category—governmental and fiduciary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

Government-wide Statements. The statement of net position and the statement of activities display information about the District. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the cemetery and (b) grants and contributions restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Combined Fund and Government-Wide Statements. Governments engaged in a single governmental program may combine their fund financial statements with their government-wide statements by using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column.

The District presents the combined governmental fund balance sheet/statement of net position, and combined statement of governmental fund revenues, expenditures, and changes in fund balances/statement of activities. The explanations for the reconciliation items in the “Adjustments” column are not provided on the face of the statement, but instead are disclosed in the notes. The District realigns the statement of activities to be compatible with the fund financial statement format.

POMERADO CEMETERY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS, Continued JUNE 30, 2017

Major Governmental Funds

General Fund. This is the District's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in other funds.

Capital Outlay Fund. Capital project funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities.

Endowment Care Fund. Per Health and Safety Code §9065, the board of trustees shall create an endowment care fund, and require a payment into the endowment care fund for each interment right sold. The board of trustees shall not spend the principal of the fund. The board of trustees shall cause the income from the fund to be deposited in an endowment income fund and spent solely for the care of the cemeteries owned by the District.

Fiduciary Fund

To account for assets held by the District in a trustee capacity or as an agent for individuals.

Pre-Need Fund. This fund accounts for the receipt of the District's pre-need revenues, a substantial portion of which are restricted for use to at-need services.

1 - D. Basis of Accounting – Measurement Focus

Government-wide and Fiduciary Fund Financial Statements. The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes, franchise taxes, licenses, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and financing from capital leases are reported as other financing sources.

1 - E. Assets, Liabilities, and Net Position

Fair Value. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District's recurring fair value measurements as of June 30, 2017 include the mutual funds in cash and cash equivalents and the investments, both of which are valued using quoted market prices (Level 1 inputs).

POMERADO CEMETERY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS, Continued
JUNE 30, 2017

Acquisition Value. The price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date, or the amount at which a liability could be liquidated with the counterparty at the acquisition date.

Deposits and Investments.

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

Certain cash balances are pooled and invested by the San Diego County Treasurer for the purpose of increasing earnings through investment activities. The pool's investments are reported at fair value at June 30, 2017, based on market prices. The individual funds' portions of the pool's fair value are presented as "Cash in County." Earnings on the pooled funds are apportioned and paid or credited to the funds quarterly based on the average daily balance of each participating fund.

Accrued Receivables

All trade and property tax receivables are fully collectible, therefore no allowance for uncollectibles has been made. The District considers receivables collected within sixty days after year-end to be available and recognizes them as revenues of the current year.

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at acquisition value. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets utilized by the enterprise fund is also capitalized. Depreciation of capital assets is computed and recorded by the straight-line method over the following estimated useful life:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings and improvements	30
Furniture and equipment	5 – 30

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

However, claims and judgments and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and long-term loans are recognized as liabilities in the governmental fund financial statements when due.

POMERADO CEMETERY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS, Continued JUNE 30, 2017

Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California Public Employee Retirement System (“Cal PERS”) and additions to/deductions from Cal PERS’ fiduciary net position have been determined on the same basis as they are reported by Cal PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Fund Balances

The fund balance for governmental funds is reported in classifications based on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Nonspendable. The resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include Endowment Care corpus, inventories, and prepaid assets.

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

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

Assigned. Resources that are constrained by the government’s intent to use them for a specific purpose but are neither restricted nor committed, are reported as assigned fund balance. Intent may be expressed by either the Board, committees (such as budget or finance), or officials to which the Board has delegated authority.

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

1 - F. Revenue and Expenditures/Expenses

Revenues – Exchange Transactions (Program Revenue).

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 60 days of fiscal year-end.

POMERADO CEMETERY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS, Continued JUNE 30, 2017

Property Tax Calendar

August 31	Unsecured tax deadline. A 10% penalty is added on September 1.
September	County Auditor applies tax rates assessments and creates the master property tax roll, from which the tax bills are printed. Treasurer-Tax Collector mails out the original secured property tax bills in late September.
November 1	First installment is due (Secured Property Tax) and delinquent Unsecured accounts are charged additional penalties of 1.5% until paid.
December 10	First installment is delinquent after close of business. A 10% penalty is added to payments made after this date.
January 1	Unsecured bills mailed out; Lien date for unsecured taxes and current secured taxes.
February 1	Second installment due (Secured Property Tax).
April 10	Second installment payment deadline. A 10% penalty plus \$10 cost is added to payments made after this date.
May	Treasurer-Tax Collector mails delinquent notices for any unpaid, regular current taxes.
June 30	End of fiscal year.

Expenses/Expenditures.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is the amount that is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all employees who retire. At retirement, each member will receive .004 year of service credit for each day of unused sick leave, or 50% payout, and accrues at 4 hours per pay period if not retiring.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

POMERADO CEMETERY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS, Continued JUNE 30, 2017

Budgetary Data

Per Health and Safety Code §9070(a), on or before August 30 of each year, the board of trustees shall adopt a final budget, which shall conform to the accounting and budgeting procedures for special districts contained in Subchapter 3 (commencing with § 1031.1) of, and Article 1 (commencing with § 1121) of Subchapter 4 of Division 2 of Title 2 of the California Code of Regulations. The board of trustees may divide the annual budget into categories, including, but not limited to:

- ❖ Maintenance and operation.
- ❖ Employee compensation.
- ❖ Interest and redemption for indebtedness.
- ❖ Restricted reserves for the following categories:
 - ❖ Endowment income fund.
 - ❖ Capital outlay.
 - ❖ Pre-need.
 - ❖ Contingencies.
 - ❖ Unallocated general reserve.

The board of trustees shall forward a copy of the final budget to the auditor of each county in which the district is located.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

1 - G. New Accounting Pronouncements

The Governmental Accounting Standards Board (“GASB”) has issued the following standards:

- ❖ Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged.
- ❖ GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer’s pension liability is measured as of a date other than the employer’s most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged.
- ❖ GASB Statement No. 84, *Fiduciary Activities*. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.
- ❖ GASB Statement No. 85, *Omnibus 2017*. The provisions of this Statement are effective for periods beginning after June 15, 2017. Earlier application is encouraged.
- ❖ GASB Statement No. 87, *Leases*. Effective Date: For reporting periods beginning after December 15, 2019.

For specific details about the standards, please see www.gasb.org.

POMERADO CEMETERY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS, Continued
 JUNE 30, 2017

NOTE 2 – EXPLANATION OF DIFFERENCES BETWEEN THE FUND FINANCIAL STATEMENTS AND DISTRICT-WIDE FINANCIAL STATEMENTS

2 - A. Governmental Funds Balance Sheet and Statement of Net Position

Total Fund Balance - Governmental Funds \$ 5,112,105

Amounts reported for assets, deferred outflows of resources, liabilities, and deferred inflows of resources for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

Capital assets:

In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation:

Capital assets relating to governmental activities, at historical cost:	\$ 2,531,477	
Accumulated depreciation:	(1,452,651)	1,078,826

Long-term liabilities:

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

Net Pension Liability	491,000	
Compensated absences payable	12,443	(503,443)

Deferred outflows and inflows of resources relating to pensions:

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

Deferred outflows of resources relating to pensions	390,000	
Deferred inflows of resources relating to pensions	(255,000)	

Total Net Position - Governmental Activities: **\$ 5,822,488**

POMERADO CEMETERY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS, Continued
JUNE 30, 2017

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

Net Changes in Fund Balances - Total Governmental Funds \$ 484,500

Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:

Capital outlay:

In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay:	\$ 80,981	
Depreciation expense:	<u>(80,982)</u>	(1)

Compensated absences:

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

7,256

Pensions:

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

133,838

Change in Net Position of Governmental Activities: \$ 625,593

POMERADO CEMETERY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS, Continued
JUNE 30, 2017

NOTE 3 – DEPOSITS AND INVESTMENTS

3 - A. Summary of Deposit and Investment Balances

	Governmental	Fiduciary	Total
	Activities	Activities	
Cash on hand	\$ 200	\$ -	\$ 200
Deposits in financial institutions	1,127,360	217,290	1,344,650
Cash in county	1,880,544	-	1,880,544
Mutual funds	440,091	135,515	575,606
Total Cash and Cash Equivalents	\$ 3,448,195	\$ 352,805	\$ 3,801,000
Investments	\$ 1,678,439	\$ 579,922	\$ 2,258,361

3 - B. Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the state; U.S. Treasury instruments; registered state warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations; the San Diego County Investment Pool.

Investment in County Treasury – The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer. The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

3 - C. General Authorizations

1. Investment of the principal of the Endowment care Fund as authorized by Public Health & Safety Code Section 9066:
 - A. Securities and obligations designated by Section 53601 of the Government Code.
 - B. Obligations of the United States or obligations for which the faith and credit of the United States are pledged for payment of principal and interest. These are not to be limited to maturity dates of one year or less.

POMERADO CEMETERY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS, Continued JUNE 30, 2017

- C. Obligations issued under authority of law by any county, municipality, or school district in this state for which are pledged the faith and credit either of the county, municipality, or school district for the payment of principal and interest, if within 10 years immediately preceding the investment such county, municipality or school district was not in default for more than 90 days in the payment of principal or interest upon any legal obligation issued by it.
 - D. Obligations of the state of California or for which the faith and credit of the state of California are pledge for the payment of principal and interest.
 - E. Interest-bearing obligations issued by a corporation organized under the laws of any state, or of the United States provided that they bear a Standard and Poor's financial rating of AAA at the time of the investment.
 - F. Certificates of deposit or other interest-bearing accounts in any state or federally chartered bank or savings association, the deposits of which are insured by the Federal Deposit Insurance Corporation.
2. Investment of the principal of the Endowment Care Fund and surplus money (Capital Outlay Funds, Endowment Care Interest & Preneed Funds) as authorized by the California Code § 53601 (Except as otherwise expressly provided herein as part of the authorized Investment Program relating to Collateralized Mortgage Obligations (CMO), the maximum maturity allowed by California Government Code, Section 53601 is 5 years with shorter limitations specified for specific types of securities):
- A. Bonds issued by the local agency, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency or by a department, board, agency, or authority of the local agency.
 - B. United States Treasury notes, bonds, bills or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.
 - C. Registered state warrants or treasury. notes or bonds of this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the state or by a department, board, agency, or authority of the state.
 - D. Registered treasury notes or bonds of any of the other 49 states in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 states, in addition to California.
 - E. Bonds, notes, warrants, or other evidences of indebtedness of a local agency within this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency.
 - F. Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.
 - G. Bankers' acceptances otherwise known as bills of exchange or time drafts that are drawn on and accepted by a commercial bank. Purchases of bankers' acceptances shall not exceed 180 days' maturity or 40 percent of the agency's moneys that may be invested pursuant to this section. However, no more than 30 percent of the agency's moneys may be invested in the bankers' acceptances of any one commercial bank pursuant to this section.

POMERADO CEMETERY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS, Continued
JUNE 30, 2017

- H. Commercial paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a nationally recognized statistical rating organization (NRSRO). The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (1) or (2):
- (1) The entity meets the following criteria:
 - (a) Is organized and operating in the United States as a general, corporation.
 - (b) Has total assets in excess of five hundred million dollars (\$500,000,000).
 - (c) Has debt other than commercial paper, if any, that is rated "A" or higher by an NRSRO.
 - (2) The entity meets the following criteria:
 - (a) Is organized within the United States as a special purpose corporation, trust, or limited liability company.
 - (b) Has program wide credit enhancements including, but not limited to, overcollateralization, letters of credit, or a surety bond.
 - (c) Has commercial paper that is rated "A-1" or higher, or the equivalent, by an NRSRO.

Eligible commercial paper shall have a maximum maturity of 270 days or less. Local agencies, other than counties or a city and county, may invest no more than 25 percent of their moneys in eligible commercial paper. Local agencies, other than counties or a city and county, may purchase no more than 10 percent of the outstanding commercial paper of any single issuer. Counties or a city and county may invest in commercial paper pursuant to the concentration limits in subdivision (a) of Section 53635.

- I. Negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings association or a federal association (as defined by Section 5102 of the Financial Code), a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank. Purchases of negotiable certificates of deposit shall not exceed 30 percent of the agency's moneys that may be invested pursuant to this section. For purposes of this section, negotiable certificates of deposit do not come within Article 2 (commencing with Section 53630), except that the amount so invested shall be subject to the limitations of Section 53638. The legislative body of a local agency and the treasurer or other official of the local agency having legal custody of the moneys are prohibited from investing local agency funds, or funds in the custody of the local agency, in negotiable certificates of deposit issued by a state or federal credit union if a member of the legislative body of the local agency, or a person with investment decision making authority in the administrative office manager's office, budget office, auditor-controller's office, or treasurer's office of the local agency also serves on the board of directors, or any committee appointed by the board of directors, or the credit committee or the supervisory committee of the state or federal credit union issuing the negotiable certificates of deposit.
- J. Investments in repurchase agreements.
- (1) Investments in repurchase agreements or reverse repurchase agreements or securities lending agreements of securities authorized by this section, as long as the agreements are subject to this subdivision, including the delivery requirements specified in this section.
 - (2) Investments in repurchase agreements may be made, on an investment authorized in this section, when the term of the agreement does not exceed one year. The market value of securities that underlie a repurchase agreement shall be valued at 102 percent or greater of the funds borrowed against those securities and the value shall be adjusted no less than quarterly. Since the market value of the underlying securities is subject to daily market fluctuations, the investments in repurchase agreements shall be in compliance if the value of the underlying securities is brought back up to 102 percent no later than the next business day.
 - (3) Reverse repurchase agreements or securities lending, agreements may be utilized only when all of the following conditions are met:
 - (a) The security to be sold using a reverse repurchase agreement or securities lending agreement has been owned and fully paid for by the local agency for a minimum of 30 days prior to sale.

POMERADO CEMETERY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS, Continued JUNE 30, 2017

- (b) The total of all reverse repurchase agreements and securities lending agreements on investments owned by the local agency does not exceed 20 percent of the base value of the portfolio.
 - (c) The agreement does not exceed a term of 92 days, unless the agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement or securities lending agreement and the final maturity date of the same security.
 - (d) Funds obtained or funds within the pool of an equivalent amount to that obtained from selling a security to a counter party using a reverse repurchase agreement or securities lending agreement shall not be used to purchase another security with a maturity longer than 92 days from the initial settlement date of the reverse repurchase agreement or securities lending agreement, unless the reverse repurchase agreement or securities lending agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement or securities lending agreement and the final maturity date of the same security.
- (4) Investments in reverse repurchase agreements, securities lending agreements, or similar investments in which the local agency sells securities prior to purchase with a simultaneous agreement to repurchase the security may be made only upon prior approval of the governing body of the local agency and shall be made only with primary dealers of the Federal Reserve Bank of New York or with a nationally or state-chartered bank that has or has had a significant banking relationship with a local agency.
- (a) For purposes of this chapter, "significant banking relationship" means any of the following activities of a bank:
 1. Involvement in the creation, sale, purchase, or retirement of a local agency's bonds, warrants, notes, or other evidence of indebtedness.
 2. Financing of a local agency's activities.
 3. Acceptance of a local agency's securities or funds as deposits.
- (5) "Repurchase agreement" means a purchase of securities by the local agency pursuant to an agreement by which the counter party seller will repurchase the securities on or before a specified date and for a specified amount and the counter party will deliver the underlying securities to the local agency by book entry, physical delivery, or by third party custodial agreement. The transfer of underlying securities to the counter party bank's customer book-entry account may be used for book entry delivery.
- (a) "Securities," for purposes of repurchase under this subdivision, means securities of the same issuer, description, issue date, and maturity.
 - (b) "Reverse repurchase agreement" means a sale of securities by the local agency pursuant to an agreement by which the local agency will repurchase the securities on or before a specified date and includes other comparable agreements.
 - (c) "Securities lending agreement" means an agreement under which a local agency agrees to transfer securities to a borrower who, in turn, agrees to provide collateral to the local agency. During the term of the agreement, both the securities and the collateral are held by a third party. At the conclusion of the agreement, the securities are transferred back to the local agency in return for the collateral.
 - (d) For purposes of this section, the base value of the local agency's pool portfolio shall be that dollar amount obtained by totaling all cash balances placed in the pool by all pool participants, excluding any amounts obtained through selling securities by way of reverse. Repurchase agreements, securities lending agreements, or other similar borrowing methods.
 - (e) For purposes of this section, the spread is the difference between the cost of funds obtained using the reverse repurchase agreement and the earnings obtained on the reinvestment of the funds.

POMERADO CEMETERY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS, Continued JUNE 30, 2017

- K. Medium-term notes, defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Notes eligible for investment under this subdivision shall be rated "A" or better by an NRSRO. Purchases of medium-term notes shall not include other instruments authorized by this section and may not exceed 30 percent of the agency's moneys that may be invested pursuant to this section.
- L. Shares of beneficial interest.
- (1) Shares of beneficial interest issued by diversified management companies that invest in the securities and obligations as authorized by subdivisions (a) to (k), inclusive, and subdivisions (m) to (o), inclusive, and that comply with the investment restrictions of this article and Article 2 (commencing with Section 53630). However, notwithstanding these restrictions, a counter party to a reverse repurchase agreement or securities lending agreement is not required to be a primary dealer of the Federal Reserve Bank of New York if the company's board of directors finds that the counter party presents a minimal risk of default, and the value of the securities underlying a repurchase agreement or securities lending agreement may be 100 percent of the sales price if the securities are marked to market daily.
 - (2) Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. BOa-1 et seq.).
 - (3) If investment is in shares issued pursuant to paragraph (1), the company shall have met either of the following criteria:
 - (a) Attained the highest ranking or the highest letter and numerical rating provided by not less than two NRSROs.
 - (b) Retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience investing in the securities and obligations authorized by subdivisions (a) to (k), inclusive, and subdivisions (m) to (o), inclusive, and with assets under management in excess of five hundred million dollars (\$500,000,000).
 - (4) If investment is in shares issued pursuant to paragraph (2), the company shall have met either of the following criteria:
 - (a) Attained the highest ranking or the highest letter and numerical rating provided by not less than two NRSROs.
 - (b) Retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience managing money market mutual funds with assets under management in excess of five hundred million dollars (\$500,000,000).
 - (5) The purchase price of shares of beneficial interest purchased pursuant to this subdivision shall not include commission that the companies may charge and shall not exceed 20 percent of the agency's moneys that may be invested pursuant to this section. However, no more than 10 percent of the agency's funds may be invested in shares of beneficial interest of any one mutual fund pursuant to paragraph (1).
- M. Moneys held by a trustee or fiscal agent and pledged to the payment or security of bonds or other indebtedness, or obligations under a lease, installment sale, or other agreement of a local agency, or certificates of participation in those bonds, indebtedness, or lease installment sale, or other agreements, may be invested in accordance with the statutory provisions governing the issuance of those bonds, indebtedness, or lease installment sale, or other agreement, or to the extent not inconsistent therewith or if there are no specific statutory provisions, in accordance with the ordinance, resolution, indenture, or agreement of the local agency providing for the issuance.

POMERADO CEMETERY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS, Continued JUNE 30, 2017

- N. Notes, bonds, or other obligations that are at all times secured by a valid first priority security interest in securities of the types listed by Section 53651 as eligible securities for the purpose of securing local agency deposits having a market value at least equal to that required by Section 53652 for the purpose of securing local agency deposits. The securities serving as collateral shall be placed by delivery or book entry into the custody of a trust company or the trust department of a bank that is not affiliated with the issuer of the secured obligation, and the security interest shall be perfected in accordance with the requirements of the Uniform Commercial Code or federal regulations applicable to the types of securities in which the security interest is granted.
- O. A mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate, or Consumer receivable-backed bond of a maximum of five years' maturity. Securities eligible for investment under this subdivision shall be issued by an issuer having an "A" or higher rating for the issuer's debt as provided by an NRSRO and rated in a rating category of "AA" or its equivalent or better by an NRSRO. Purchase of securities authorized by this subdivision may not exceed 20 percent of the agency's surplus moneys that may be invested pursuant to this section. Pursuant to the authorized Investment Program of the Board of Directors, the maximum maturity for CMOs is 30 years.
- P. Shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7 that invests in the securities and obligations authorized in subdivisions (a) to (o), inclusive. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. To be eligible under this section, the joint powers authority issuing the shares shall have retained an investment adviser that meets all of the following criteria:
- (1) The adviser is registered or exempt from registration with the Securities and Exchange Commission.
 - (2) The adviser has not less than five years of experience investing in the securities and obligations authorized in subdivisions (a) to (o), inclusive.
 - (3) The adviser has assets under management in excess of five hundred million dollars (\$500,000,000).

3 - D. Cash Deposits

Credit Risk. As of June 30, 2017, the District's Cash in County pool was rated AA Af/S1 by Fitch. The District's Cash in County pool consisted of debt securities and the ratings ranged from AAA by Standard & Poor's.

Custodial Credit Risk. There is a risk that, in the event of a bank failure, the District's deposits may not be returned. The District's deposit policy requires that all deposits are covered by the Federal Depository Insurance Corporation ("FDIC") or are collateralized as required by Statutes of the State. As of June 30, 2017, the carrying amount of the District's bank deposits was \$1,344,650, and the respective bank balances totaled \$1,347,276. Of the total bank balance, \$250,439 was insured through the FDIC. The remaining \$1,096,837 was collateralized with pooled securities held by the financial institutions' trust departments. These securities are held in the name of the financial institution and not that of the District.

POMERADO CEMETERY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS, Continued
 JUNE 30, 2017

3 - E. Investments

Financial Instruments	Moody's Ratings	Fair Value	Maturities in years			
			< 1	1 - 5	6 - 10	More than 10
Certificates of Deposit	FDIC	\$ 771,910	\$ 145,064	\$ 626,846	\$ -	\$ -
Government bonds ¹	AAA	755,995	84,790	297,099	374,106	-
Corporate bonds	A1 - AAA	670,615	345,659	324,956	-	-
Foreign bonds	A1	50,290	-	50,290	-	-
Collateralized Mortgage Obligation ("CMO") ²	Not rated	9,551	-	-	-	9,551
Total		\$ 2,258,361	\$ 575,513	\$ 1,299,191	\$ 374,106	\$ 9,551

¹ Per Item 2 in investment policy, maturities of government bonds beyond 5 years are not allowed, therefore these bonds are in violation of the District's investment policy.

² While not a violation of the District's investment policy, it is a violation of the state investment policy which covers special districts by not being rated and the maturity exceeding 60 months. CMOs are allowed, the following is their requirement:

"A mortgage passthrough security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable passthrough certificate, or consumer receivable-backed bond of a maximum of five years' maturity. Securities eligible for investment under this subdivision shall be issued by an issuer rated in a rating category of "A" or its equivalent or better rating for the issuer's debt as provided by an NRSRO and rated in a rating category of "AA" or its equivalent or better by an NRSRO. Purchase of securities authorized by this subdivision may not exceed 20 percent of the agency's surplus moneys that may be invested pursuant to this section."

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the District's \$2,834,407 investments, all of the underlying securities are held by the investment's counterparty.

There is a risk that, in the event of a counterparty failure, the District's investments may not be returned. As of June 30, 2017, of the total investment balance, \$500,000 was insured through the Securities Investor Protection Corporation ("SIPC"). The remaining \$2,334,407 was collateralized with pooled securities held by the financial institutions' trust departments. These securities are held in the name of the financial institution and not that of the District.

POMERADO CEMETERY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS, Continued
 JUNE 30, 2017

NOTE 4 – ACCRUED RECEIVABLES

Receivables at June 30, 2017, were as follows:

	Capital		Total
	General Fund	Projects Fund	Governmental Funds
Taxes	\$ 1,972	\$ -	\$ 1,972
4th quarter interest	4,339	1,101	5,440
Total Accrued Receivables	\$ 6,311	\$ 1,101	\$ 7,412

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017

	Balance		Balance	
	Jul. 01, 2016	Additions	Deletions	Jun. 30, 2017
Capital Assets Not Being Depreciated				
Land	\$ 123,433	\$ -	\$ -	\$ 123,433
Capital Assets Being Depreciated				
Buildings and improvements	\$ 2,041,331	\$ -	\$ -	\$ 2,041,331
Furniture and Equipment	326,702	80,981	40,970	366,713
Total assets being depreciated	2,368,033	80,981	40,970	2,408,044
Less Accumulated Depreciation				
Buildings and improvements	1,172,202	71,932		1,244,134
Furniture and Equipment	240,437	9,050	40,970	208,517
Total accumulated depreciation	1,412,639	80,982	40,970	1,452,651
Total Capital Assets				
Being Depreciated, Net	\$ 955,394	\$ (1)	\$ -	\$ 955,393

NOTE 6 – ACCRUED PAYABLES

Payables at June 30, 2017, were as follows:

	General Fund
Vendors	\$ 7,482
Payroll related	7,473
Other	764
Compensated absence	6,222
Total Accrued Payables	\$ 21,941

POMERADO CEMETERY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS, Continued
JUNE 30, 2017

NOTE 7 – LONG-TERM LIABILITIES

7 - A. Long-Term Liabilities Summary

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

	Balance		Balance	
	Jul. 01, 2016	Additions	Deletions	Jun. 30, 2017
Compensated absences	\$ 19,699	\$ -	\$ 7,256	\$ 12,443
Net pension liability ("NPL")	467,014	148,000	124,014	491,000
Total Long-Term Liabilities	\$ 486,713	\$ 148,000	\$ 131,270	\$ 503,443

7 - B. Compensated Absences

The long-term portion of unpaid employee vacation for the year ended June 30, 2017 was \$12,443. The fund that salaries reside and vacation is paid out of is the General Fund.

NOTE 8 – DEFINED BENEFIT PENSION

8 - A. General Information about the Pension Plan

Plan Description

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

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

Benefits Provided

The benefits for the defined benefit plans are based on members' years of service, age, final compensation, and benefit formula. The District's part of the Miscellaneous Plan risk pool, with a benefit formula of 2.0% @ 55 (more detailed calculation can be found in Appendix B in Section 2 of the Risk Pool Valuation Report. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years (10 years for state Second Tier members) of credited service. All non-state Second Tier members are eligible to receive cost-of-living (COLA) adjustments up to a maximum of 2 percent compounded annually (up to 5 percent maximum as a contract option for retired members of local agencies). State Second Tier members are eligible for a COLA of 3 percent fixed compounded annually.

POMERADO CEMETERY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS, Continued
JUNE 30, 2017

Contributions

The CalPERS Annual Valuation Report for Pomerado Cemetery District as of June 30, 2014, reported 2016-17 required employer contributions to be 8.377% of creditable salaries for the “Employer Normal Cost Rate,” plus \$83,855 for the “Employer Payment of Unfunded Liability.” The report also reported an employee contribution rate of 7.00%. Contributions to the pension plan from the District was \$105,817 for the year ended June 30, 2017.

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

At June 30, 2017, the District reported a liability of \$491,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating agencies, actuarially determined. The District’s proportion was calculated as follows:

	<u>Jun. 30, 2016</u>	<u>Jun. 30, 2015</u>	<u>Difference</u>
Total Pension Liability Allocation Basis	0.0001067	0.0001069	-0.0000002
Fiduciary Net Position Allocation Basis	0.0000958	0.0000909	0.0000049
Deferred Outflows/Inflows of Resources and Pension Expense Allocation Basis	0.0002910	0.0002660	0.0000250

For the year ended June 30, 2017, the District recognized pension expense of (\$28,021). At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 4,000	\$ 1,000
Changes of assumptions	-	33,000
Net difference between projected and actual earnings on pension plan investments	280,000	106,000
Changes in proportion and differences between District contributions and proportionate share of contributions	-	115,000
District contributions subsequent to the measurement date	106,000	-
Total	\$ 390,000	\$ 255,000

POMERADO CEMETERY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS, Continued
JUNE 30, 2017

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

Year ended June 30:

2018	\$ 163,052	\$ 66,410
2019	57,053	66,358
2020	57,053	60,884
2021	56,842	40,148
2022	56,000	21,200
Total	\$ 390,000	\$ 255,000

8 - C. Actuarial Assumptions and Discount Rate Information

Actuarial Assumptions

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

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

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

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

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short term (first 10 years) and the long term (11-60 years) using a building-block approach. Using the expected nominal returns for both short term and long term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

POMERADO CEMETERY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS, Continued
JUNE 30, 2017

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

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

¹ An expected inflation rate of 2.50% used for this period.

² An expected inflation rate of 3.00% used for this period.

Discount Rate

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

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.

The following presents the District’s proportionate share of the net pension liability calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (-100 basis points) or one percentage point higher (+100 basis points) than the current rate:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
District's proportionate share of the net pension liability	\$ 265,000	\$ 491,000	\$ 765,000

Pension Plan Fiduciary Net Position

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

POMERADO CEMETERY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS, Continued
JUNE 30, 2017

NOTE 9 – FUND BALANCE

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

	General Fund	Capital Projects Fund	Endowment Care Fund	Total Governmental Funds
Nonspendable				
Revolving cash	\$ 200	\$ -	\$ -	\$ 200
Endowment care corpus	-	-	1,166,922	1,166,922
Total Nonspendable	200	-	1,166,922	1,167,122
Restricted				
Pre-Need graves	259,144	-	-	259,144
Assigned				
Capital projects	-	372,592	-	372,592
Endowment earnings reinvestment	-	-	951,608	951,608
Total Assigned	-	372,592	951,608	1,324,200
Unassigned	2,361,639	-	-	2,361,639
Total Fund Balances	\$ 2,620,983	\$ 372,592	\$ 2,118,530	\$ 5,112,105

NOTE 10 – PARTICIPATION IN A JOINT POWERS AUTHORITY

The District is a member of a JPA, SDRMA. SDRMA provides liability, property, and crime damage, as well as coverage for workers' compensation. The relationship is such that the JPAs are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these financial statements. Audited financial statements are available from the entity.

During the year ended June 30, 2017, the District made payments of \$8,796 and \$11,146, for property and liability; and workers' compensation, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

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POMERADO CEMETERY DISTRICT

**GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUE				
Program Revenue:				
Charges for services	\$ 347,874	\$ 347,874	\$ 537,639	\$ 189,765
Property taxes, general purpose	634,400	634,400	661,887	27,487
Grants and contributions not restricted to specific programs	-	-	11,863	11,863
Revenue from use of money	-	-	11,685	11,685
Other revenues	-	-	4,366	4,366
Total Revenue	982,274	982,274	1,227,440	245,166
EXPENDITURES				
Current:				
Salaries and wages	293,646	293,646	278,101	15,545
Benefits	240,474	240,474	227,744	12,730
Supplies	54,947	54,947	85,672	(30,725)
Services	101,090	101,090	157,617	(56,527)
Other charges	17,625	17,625	27,481	(9,856)
Capital Outlay	51,938	51,938	80,981	(29,043)
Total Expenditures	759,720	759,720	857,596	(97,876)
NET CHANGE IN FUND BALANCE	222,554	222,554	369,844	147,290
Fund Balance - Beginning	2,251,139	2,251,139	2,251,139	
Fund Balance - Ending	\$ 2,473,693	\$ 2,473,693	\$ 2,620,983	\$ 147,290

POMERADO CEMETERY DISTRICT

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

	2017	2016	2015
District's proportion of the net pension liability (asset)	0.014%	0.017%	0.021%
District's proportionate share of the net pension liability (asset)	\$ 491,000	\$ 467,014	\$ 510,301
District's covered payroll	297,408	266,230	241,099
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	165%	175%	212%
Plan fiduciary net position as a percentage of the total pension liability	76%	80%	81%

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

POMERADO CEMETERY DISTRICT

SCHEDULE OF CONTRIBUTIONS

	2017	2016	2015
Contractually required contribution	\$ 105,815	\$ 101,102	\$ 78,050
Contributions in relation to the contractually required contribution	(105,815)	(101,102)	(78,050)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered payroll	278,101	297,408	266,230
Contributions as a percentage of covered payroll	38%	34%	29%

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