

Barstow Cemetery District

Report on Audit

June 30, 2017

Barstow Cemetery District

June 30, 2017

TABLE OF CONTENTS

Independent Auditors' Report	1
Management Discussion and Analysis	3
Basic Financial Statements	
<u>Government-Wide Financial Statements:</u>	
Statement of Net Position.....	7
Statement of Activities.....	9
<u>Fund Financial Statements:</u>	
Governmental Funds – Balance Sheet.....	10
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position.....	11
Governmental Funds – Statement of Revenues, Expenditures and Changes in Fund Balances.....	12
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-Wide Statement of Activities.....	13
Fiduciary Funds – Statement of Fiduciary Net Position.....	14
Fiduciary Funds – Statement of Changes in Fiduciary Net Position.....	15
Notes to Financial Statements	16

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Barstow Cemetery District
Barstow, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the remaining fund information of Barstow Cemetery District (the "District"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the reporting guidelines for California Special Districts required by the Office of the State Controller. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditors consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

The Board of Directors
Barstow Cemetery District

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the remaining fund information of Barstow Cemetery District, as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the State Controller's Office and the State regulations governing Special Districts.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 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 on them.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Messner & Hadley, LLP.

Messner & Hadley, LLP
Victorville, California

November 20, 2018

Barstow Cemetery District

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

As management of the District, we offer readers of our financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2017.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the year by \$1,202,252. Of this amount, \$75,741 may be used to meet the District's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the District governmental funds reported combined ending fund balances of \$868,423, a decrease of \$112,264 in comparison with the prior year.
- At the end of the current year, unreserved fund balance for the general fund was \$75,741 or 18% of the total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private sector business. The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event takes place, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in the statement for certain items that will only result in cash flows in future fiscal periods.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District used fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund financial statements report essentially the same functions as those reported in the government-wide financial statements. However, unlike government-wide financial statements, fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources available at the end of the fiscal year*.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate the comparison between governmental funds and government-wide statements. The District adopts an annual appropriated budget for its funds. Budgetary comparison statements have been provided for each fund to demonstrate compliance with the budget.

Barstow Cemetery District

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Basic Financial Statements can be found on pages 16 to 23 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the net position and the changes in net position of the District's governmental activities.

Net Position

The following schedule is a condensed Statement of Net Position, as of the year ended June 30, 2017, as compared to the prior year.

	Governmental Activities		
	2017	2016	Change
Assets			
Current and other assets	\$ 952,474	\$ 993,146	\$ (40,672)
Capital assets	335,829	345,986	(10,157)
Total assets	1,288,303	1,339,132	(50,829)
Liabilities			
Current and other liabilities	84,051	12,460	71,591
Long-term liabilities	-	-	-
Total liabilities	84,051	12,460	71,591
Net position			
Invested in capital assets, net of related debt	335,829	345,986	(10,157)
Restricted	792,682	775,603	17,079
Unrestricted	75,741	205,084	(129,343)
TOTAL NET POSITION	\$ 1,204,252	\$ 1,326,673	\$ (122,421)

Barstow Cemetery District

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

Net position invested in capital assets, net of related debt, reflect the District's investment in capital assets (i.e., structures and improvements, and equipment) and represent 28% of total net position. The District uses the capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Net position may serve over time as a useful indicator of a government's financial position. The District's assets exceed liabilities by \$1,202,252 at the close of this fiscal year. The most significant portion of the District's net assets is its cash and investments balance (\$823,639). The majority of cash and investments are maintained in the San Bernardino County's cash and investment pool where interest earned on the District's balance is apportioned to the District.

Governmental Activities

The objective of the Statement of Activities is to report the full cost of providing government services for the year. The Statement of Activities also presents information showing how the District's net position changed during the year. All changes in net position are reported as soon as the underlying event occurs regardless of the timing of the cash flows.

	Governmental Activities		
	2017	2016	Change
Program revenues			
Charges for services	\$ 185,283	\$ 230,735	\$ (45,452)
General revenues			
Property taxes	143,541	129,888	13,653
Other taxes	5,650	5,288	362
Interest and investment income	14,287	14,136	151
Gain (loss) on value of investment	(12,579)	7,133	(19,712)
Total general revenues	<u>150,899</u>	<u>156,445</u>	<u>(5,546)</u>
Total revenues	336,182	387,180	(50,998)
Expenses			
Salaries and benefits	232,590	195,477	37,113
Services and supplies	83,541	43,753	39,788
Utilities	96,760	59,625	37,135
Professional services	19,125	13,693	5,432
Depreciation	<u>10,157</u>	<u>10,157</u>	<u>-</u>
Total expenses	<u>442,173</u>	<u>322,705</u>	<u>119,468</u>
CHANGE IN NET POSITION	(105,991)	64,475	(170,466)
Net position			
Beginning of year	<u>1,326,673</u>	<u>1,337,411</u>	<u>(10,738)</u>
Trust Fund Beg Balance Adj	<u>(16,430)</u>	<u>(75,214)</u>	
End of year	<u>\$ 1,204,252</u>	<u>\$ 1,326,672</u>	<u>\$ (181,204)</u>

Barstow Cemetery District

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

The District's net position decreased overall by \$122,420 during the 2016-2017 fiscal year. This decrease is primarily a result of an increase in services and supplies expense and professional services expense and decrease in service revenue.

FINANCIAL ANALYSIS OF THE DISTRICT'S GENERAL FUND

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

For the year ended June 30, 2017, the District reported an ending fund balance of \$75,741, a decrease of \$129,343 from the prior year. This decrease was due to an increase due in overall expenses.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets for its governmental activities, as of June 30, 2017, amounts to \$335,829 (net of accumulated depreciation). This investment in capital assets includes structures, improvements, equipment and vehicles.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's financial position for all interested parties. Questions concerning any information in this report or requests for additional financial information should be addressed to the Barstow Cemetery District, P.O. Box 1033, Barstow, California 92312.

BASIC FINANCIAL STATEMENTS –

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Barstow Cemetery District

STATEMENT OF NET POSITION

June 30, 2017

Assets

Current assets

Cash and cash equivalents	\$	131,704
Investments		691,936
Interest receivable		412
Taxes receivable		2,368
Accounts receivable services		8,742
Inventory		117,312
Total current assets		<u>952,474</u>

Noncurrent assets

Capital assets

Land		12,840
Structures and improvements		506,865
Equipment and vehicles		168,360
Less accumulated depreciation		<u>(352,236)</u>
Total noncurrent assets		<u>335,829</u>

TOTAL ASSETS \$ 1,288,303

Liabilities and Net Position

Current liabilities

Accounts payable	\$	84,051
Total liabilities		<u>84,051</u>

Net position

Invested in capital assets, net of depreciation		335,829
Restricted		792,682
Unrestricted		<u>75,741</u>
Total net position		<u>1,204,252</u>

TOTAL LIABILITIES AND NET POSITION \$ 1,288,303

See the accompanying notes and auditors' report

Barstow Cemetery District

STATEMENT OF ACTIVITIES For the Year Ended June 30, 2017

Program expenses	
Salaries and benefits	\$ 232,591
Services and supplies	83,541
Utilities	96,760
Professional services	19,125
Depreciation	<u>10,157</u>
Total program expenses	442,174
Program revenues	
Charges for services	<u>185,283</u>
Total program revenues	<u>185,283</u>
Net program revenues (expenses)	(256,890)
General revenues (expenses)	
Property taxes	143,541
Other taxes	5,650
Interest and investment income	14,287
Gain (loss) on value of investment	<u>(12,579)</u>
Total non-operating revenues (expenses)	<u>150,899</u>
INCREASE IN NET POSITION	(105,991)
Net position	
Beginning, July 1, 2016	1,326,673
Trust Fund Beginning Balance	<u>(16,430)</u>
Ending, June 30, 2017	<u><u>\$ 1,204,252</u></u>

See the accompanying notes and auditors' report

BASIC FINANCIAL STATEMENTS –

FUND FINANCIAL STATEMENTS

Barstow Cemetery District

GOVERNMENTAL FUNDS – BALANCE SHEET June 30, 2017

	General (MAD)	Permanent Fund Endowment Care (TAH/TAM)	Total Governmental Funds
Assets			
Cash and cash equivalents	32,099	\$ 124,731	\$ 156,830
Investments	-	666,813	666,813
Accounts Receivable	329	1,138	1,467
Taxes receivable	1,312	-	1,312
Accounts receivable services	8,742	-	8,742
Inventory	117,312	-	117,312
TOTAL ASSETS	\$ 159,794	\$ 792,682	\$ 952,476
Liabilities			
Accounts payable	\$ 28,497	\$ -	\$ 28,497
Due to Pre Need Trust Fund	\$ 55,556	\$ -	\$ 55,556
Total liabilities	84,053	-	84,053
Fund balances			
Reserved			
Endowment principal - nonexpendable	-	792,682	792,682
Unreserved	75,741	-	75,741
Total fund balances	75,741	792,682	868,423
TOTAL LIABILITIES AND FUND BALANCES	\$ 159,794	\$ 792,682	\$ 952,476

See the accompanying notes and auditors' report

Barstow Cemetery District

Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position
June 30, 2017

Fund balance - governmental funds \$ 868,423

Amounts reported for governmental activities in the Statement of Net Position
are different because:

Capital assets used in governmental activities are not financial resources and,
therefore, are not reported as assets in governmental funds.

Cost of capital assets	\$ 688,065	
Accumulated depreciation	<u>(352,236)</u>	
		335,829

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES \$ 1,204,252

See the accompanying notes and auditors' report

Barstow Cemetery District

GOVERNMENTAL FUNDS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 For the Year Ended June 30, 2017

	General (MAD)	Permanent Fund Endowment Care (TAH/TAM)	Total Governmental Funds
Revenues			
Services Fees	\$ 158,267	27,016	\$ 185,283
Property taxes	143,541	-	143,541
Other tax revenue	5,650	-	5,650
Interest and investment income	202	14,085	14,287
Gain (loss) on value of investment	-	(12,579)	(12,579)
Total revenues	307,660	28,522	336,182
Expenditures			
Salaries and employee benefits	232,590	-	232,590
Services and supplies	83,541	-	83,541
Utilities	96,760	-	96,760
Professional services	19,125	-	19,125
Total expenditures	432,016	-	432,016
Excess of revenues over/under expenditures	(124,356)	28,522	(95,834)
Other financing sources			
Transfers out	11,443	(11,443)	-
Total other financing sources and uses	11,443	(11,443)	-
NET CHANGES IN FUND BALANCES	(112,913)	17,079	(95,834)
Fund balances			
Beginning, July 1, 2016	205,084	775,603	980,687
Trust Fund Beg Balance	(16,430)	-	(16,430)
Ending, June 30, 2017	\$ 75,741	\$ 792,682	\$ 868,423

See the accompanying notes and auditors' report

Barstow Cemetery District

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities
For the Year Ended June 30, 2017

Total net changes in fund balances - governmental funds \$ (95,834)

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.

Expenditures for capital assets	0
Less: current year depreciation	(10,157)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in compensated absences	<u>-</u>
--------------------------------	----------

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES	<u>\$ (105,991)</u>
--------------------------------------------------	---------------------

See the accompanying notes and auditors' report

Barstow Cemetery District

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2017

	Private-Purpose Trust Fund
	<u>Pre-Need Burial (MAG)</u>
Assets	
Cash and cash equivalents	\$ 17,912
Accounts Receivable Services	59,906
Accounts Receivable General Fund	55,556
Interest Receivable	<u>253</u>
TOTAL ASSETS	<u>\$ 133,627</u>
Net Position	
Restricted	<u>\$ 133,627</u>
Total net position	<u>133,627</u>

See the accompanying notes and auditors' report

Barstow Cemetery District

FIDUCIARY FUNDS STATEMENT OF CHANGES IN FIDUCIARY NET POSITION June 30, 2017

	Private-Purpose Trust Fund	Pre-Need Burial (MAG)
Additions		
Contributions	\$ 71,500	
Investment Earnings - Interest	134	
Transfers in	<u>16,430</u>	
Total Additions	88,064	
Deductions		
Transfers Out	<u>-</u>	
Total Deductions	<u>-</u>	
Changes in Net Position	88,064	
Net Position - Beginning	<u>45,563</u>	

See the accompanying notes and auditors' report

Barstow Cemetery District

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Description of Reporting Entity

The Barstow Cemetery District (the “District”) is an independent special district cemetery in the county of San Bernardino. The cemetery was created in 1937 and the county took it over as a special district in 1947. In May of 1985, the “Barstow Cemetery District” changed its name and has since done business as Mt. View Memorial Park. The accounting records are maintained by the San Bernardino County Auditor – Controller and are recorded under the name “Barstow Cemetery district.

The District includes all activities (operations of its administrative staff and District officers) considered to be a part of the District. The District reviewed the criteria developed by the Governmental Accounting Standards Board (GASB) relating to the financial reporting entity to determine whether the District is financially accountable for other entities. The District has determined that no other outside entity meets the above criteria and, therefore, no agency has been included as a component unit in the financial statements. In addition, the District is not aware of any entity that would be financially accountable for the District that would result in the District being considered a component unit of that entity.

Measurement Focus and Basis of Presentation

Government-Wide Financial Statements – The Statement of Net Position and Statement of Activities display information about the primary government (the District). These statements include the non-fiduciary financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. *Governmental activities*, which are normally supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely, to a significant extent, on fees and information sales. At June 30, 2017, the District had no business-type activities.

The Statement of Activities demonstrates the degree to which the program expenses of a given function or identifiable activity is offset by program revenues. Program expenses are those that are clearly identifiable with a specific function or identifiable activity, and allocated indirect expenses. Program revenues include fees, fines and charges paid by the recipient of goods, services, or privileges provided by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes and investment earnings, are presented as general revenues.

When both restricted and unrestricted net assets are available, restricted resources are used only after the unrestricted resources are depleted.

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

Governmental funds are used to account for activities that are governmental in nature. Governmental activities are typically tax-supported and include the operations and maintenance of the cemetery.

Fiduciary funds are used to account for assets held by the District in a trustee or agency capacity for other that cannot be used to support the District's own programs.

Barstow Cemetery District

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Major Governmental Funds:

- 1. General Fund** – The general fund is the main operating fund of the District. It is used to account for all activities except those that are required to be accounted for in another fund. In keeping with the minimum number of funds principle, all of a District’s activities are reported in the general fund unless there is a compelling reason to account for an activity in another fund. A District may have only one general fund.
- 2. Permanent / Endowment Fund** – This fund is used to account for resources that are restricted to the extent that earnings, but not principal, may be used for purposes that support the District’s operations. The principal may never be spent.

Fiduciary Funds:

These funds are used to account for assets held by the District in a trustee or agency capacity for others that cannot be used to support the District’s own programs.

- 1. Pre-Need Fund** – The Pre-Need Burial Fund is a private-purpose trust fund which transfers funds from its earnings to the general fund to finance burial expenditures.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to timing of the measurements made, regardless of the measurement focus applied.

Government-Wide Financial Statements – The government-wide 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, includes grants, entitlements and donations. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligible requirements have been satisfied.

Fund Financial Statements – The governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenue susceptible to accrual includes taxes, interests, and intergovernmental revenue if their receipt occurs within sixty days after the end of the accounting period so as to be measurable and available. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

Cash and Investments

The District maintains nearly all of its cash in the San Bernardino County Treasury. The County pools these funds with those of other entities in the County and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool. The Treasurer’s investments and policies are overseen by the San Bernardino County Treasury Oversight Committee. Additional information regarding the categorization of investments can be found in the County of San Bernardino’s financial statements.

Barstow Cemetery District

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Capital Assets

Capital assets are stated on the basis of historical cost, or if historical cost is not determinable, at estimated historical costs. Capital acquisitions are reflected as expenditures in the governmental fund types with the related asset reported in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$1,000. Capital assets used in operations are depreciated or amortized (assets under capital leases) under the straight-line method over the lesser of the capital lease period or their estimated useful lives in the government-wide financial statements. A full year of depreciation is taken in the year of acquisition. No depreciation is taken in the year of disposal.

Estimated useful lives are as follows:

Structures and improvements	15-45 years
Equipment and vehicles	6-20 years

Compensated Absences

Accumulated leave benefits include vacation salaries and are reported in the government-wide financial statements. These amounts would not be expected to be liquidated from expendable available financial resources, but would be expected to be liquidated in future years as employees elect to use these benefits as prescribed by Civil Service rules and regulations.

No liability is recorded for non-vesting accumulated rights to receive sick pay benefits.

Fund Balance Reserves and Designation

Fund balance is divided into three classifications based primarily on the extent to which the District is bound to constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Non-spendable — The non-spendable fund balance classification reflects amounts that are not in spendable form. Examples include inventory, prepaid items, the long-term portion of loans receivable, and nonfinancial assets held for resale. This classification also reflects amounts that are in spendable form but that are legally or contractually required to remain intact, such as the principal of a permanent endowment.

Assigned — The assigned fund balance classification reflects amounts that the government intends to be used for specific purposes. Assignments may be established either by the Governing Board or by a designee of the governing body, and are subject to neither the restricted nor committed levels of constraint. In contrast to the constraints giving rise to committed fund balance, constraints giving rise to assigned fund balance are not required to be imposed, modified, or removed by formal action of the Governing Board. The action does not require the same level of formality and may be delegated to another body or official. Additionally, the assignment need not be made before the end of the reporting period, but rather may be made any time prior to the issuance of the financial statements.

Unassigned — In the general fund only, the assigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes. However, any deficits in any fund, including the general fund, that cannot be eliminated by reducing or eliminating amounts assigned to other purposes, are reported as negative unassigned fund balance.

Barstow Cemetery District

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are 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, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

Net Position

Net Position represents the difference between assets and liabilities. Net Position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The District has related debt outstanding as of June 30, 2017. Net Position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The district-wide financial statements report \$775,603 of restricted net position.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds as and expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Interfund transfers are eliminated in the governmental activities columns of the statement of activities.

Use of Estimates

The preparation of 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 reported amounts of assets and liabilities at the date of financial statements and the reported net income during the reporting period. Actual results could differ from those estimates.

Budgetary Data

The District adopts an annual budget on or before June 30. From the effective date of the budget, the amounts stated as proposed expenditures become appropriation.

NOTE 2 – OUTSIDE INVESTMENTS

A portion of the Endowment Care Fund is invested with an approve broker/dealer, per the District's Investment Policy. As of June 30, 2017, the fair value of the investments in the Endowment Care Fund was \$677,319 consisting of the following:

Wells Fargo Advisors	<u>666,813</u>
Total Investments	<u>\$ 666,813</u>

Barstow Cemetery District

NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Investment Credit Risk

Investment credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to fulfill its obligation. GASB requires the disclosure of credit quality ratings for investments.

California law places limitations on the purchase of investments in regards to the credit ratings issued by the top two of three nationally recognized statistical rating organizations and limits are also placed on the maximum percentage investments by sector and by individual issuer. Investments issued by or explicitly guaranteed by the U.S. Government or issued by or fully guaranteed as to principal and interest by federal agencies are not considered to have credit risk or individual issuer limitations. As of June 30, 2017, all investments are within the District's policy limits.

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.

California law places limitations on the maximum maturity of investments to be purchased by sector, unless specific conditions are met per the District's Investment Policy. California law states that the maximum maturity limit of any investment is five years. As of June 30, 2017, the District is in compliance with the policy.

Custodial Credit Risk

Custodial credit risk for investments exists if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty (broker/dealer) or the counterparty's trust department or agent, but not in the government's name. Since the outside investments at June 30, 2017 are recorded in the District's name, custodial credit risk for investments does not exist.

NOTE 3 – POOLED CASH AND INVESTMENTS

Cash on hand and on deposit, as of June 30, 2017, consisted of the following:

	<u>Governmental Funds</u>		<u>Fiduciary Fund</u>
		Permanent Fund	Private-Purpose
	General	Endowment Care	Trust Fund
	(MAD)	(TAH/TAM)	Pre-Need
			Burial
			(MAG)
Cash in County Treasury	\$80,244	\$82,283	\$8,144
Cash on Hand and in Banks	400	13,706	-
Wells Fargo Advisors			
Investment		677,319	
Total Cash	<u>\$80,644</u>	<u>\$773,308</u>	<u>\$8,144</u>

Barstow Cemetery District

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Cash in County Treasury

A significant majority of the District's cash is pooled with the San Bernardino County Treasurer, who acts as a disbursing agent for the District. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the Treasury Pool for the entire Treasury Pool portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on accounting records maintained by the Treasury pool, which are recorded on an amortized cost basis. Interest earned on investments pooled with the County is allocated quarterly to the appropriate fund based on its respective average daily balance for that quarter. The Treasury Oversight Committee has regulatory oversight for all monies deposited into the Treasury Pool.

Investment Guidelines

The District's pooled cash and investments are invested pursuant to investment policy guidelines established by the County Treasurer and approved by the Board of Supervisors. The objectives of this policy are, in order of priority: safety of capital, liquidity and maximum rate of return. The policy addresses the soundness of financial institutions in which the County will deposit funds, types of investment instruments as permitted by the California Government Code 53601, and the percentage of the portfolio that may be invested in certain instruments with longer terms to maturity.

A copy of the Treasury Pool investment policy is available upon request from the San Bernardino County Treasurer.

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. As a means of limiting its exposure to fair value losses arising from rising interest rates, one of the ways that the Treasury Pool 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 maturing evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Credit Risk

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 a rating by a nationally recognized statistical rating organization. The investment with the San Bernardino County Investment Pool is unrated.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. In addition, the California Government Code limits the total of all securities lending transactions to 20% of the fair value of the investment portfolio.

Barstow Cemetery District

NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Concentration of Credit Risk

The investment policy of the County contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. For a listing of investments in any one issuer (other than U.S. Treasury securities, mutual funds, or external investment pools) that represent 5% or more of total County investments, refer to the 2014 San Bernardino County CAFR.

NOTE 4 – RESTRICTED CASH

Cash and cash equivalents and investments that are restricted by legal or contractual requirements, at June 30, 2017, are comprised of the following:

Permanent Fund – Endowment Care – Restricted cash and investments of \$766,422 represents principal (corpus) that is legally restricted for perpetual maintenance of the District.

NOTE 5 – CAPITAL ASSETS

Capital asset activity, for the year ended June 30, 2017 is as follows:

GOVERNMENTAL ACTIVITIES	Balance		Balance	
	June 30, 2016	Additions	Retirements	June 30, 2017
Capital assets not being depreciated:				
Land	\$ 12,840	\$ -	\$ -	\$ 12,840
Construction in progress	-	-	-	-
Total capital assets not being depreciated	12,840	-	-	12,840
Capital assets, being depreciated:				
Structure and improvements	506,865	-	-	506,865
Equipment	168,360	-	-	168,360
Total capital assets being depreciated	675,225	-	-	675,225
Less accumulated depreciation for:				
Structure and improvements	178,408	8,774	-	187,182
Vehicles	-	-	-	-
Equipment	163,671	1,383	-	165,054
Total accumulated depreciation	342,079	10,157	-	352,236
Capital assets, being depreciated, net	333,146	(10,157)	-	322,989
Total net capital assets	\$ 345,986	\$ (10,157)	\$ -	\$ 335,829

Depreciation expense of \$10,157 was charged for the year ended June 30, 2017.

Barstow Cemetery District

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 7 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft or damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters.

The District is insured with the American Alternative Insurance Corporation for general liability, property damage, employee dishonesty, and automobile liability. Preferred Employers Insurance Company provides the District with worker's compensation insurance for all employees in extra or full time positions. Unemployment insurance is provided through the State of California's Employment Development Department.

NOTE 8– SUBSEQUENT EVENTS

Management has reviewed its financial statements and evaluated subsequent events for the period of time from its year ended June 30, 2017 through November 20, 2018, the date the financial statements were issued. Management is not aware of any subsequent events that would require recognition or disclosure in the accompanying financial statements.