

SANGER/DEL REY CEMETERY DISTRICT
 REPORT ON AUDIT OF FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2016

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INDEPENDENT AUDITOR'S REPORT

August 31, 2016

Board of Trustees
Sanger/Del Rey Cemetery District
Sanger, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of Sanger/Del Rey Cemetery District, State of California, as of and for the year ended June 30, 2016 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable in financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, 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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Sanger/Del Rey Cemetery District, State of California, as of June 30, 2016 and the respective changes in financial position and cash flows 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 management's discussion and analysis on pages three through six, the statement of revenue, expenditures and changes in fund balance – budget and actual on page 20 and the schedules of proportionate share of net pension liability and contributions to Public Employees Retirement System on pages 21 and 22 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 them to be essential parts 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2016 on our consideration of Sanger/Del Rey Cemetery District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Sanborn and Sanborn
Accountancy Corporation*

CERTIFIED PUBLIC ACCOUNTANTS

**SANGER/DEL REY CEMETERY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

As management of Sanger/Del Rey Cemetery District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with information that is included within the financial statements.

Financial Highlights

- Assets of the District exceeded its liabilities as of June 30, 2016 by \$2,936,523. Of this amount, unrestricted net position of \$411,539 may be used to meet the District's ongoing obligations to customers and creditors. As of June 30, 2015, assets exceeded liabilities by \$2,728,475 with unrestricted net position equaling \$299,599.
- Total net position increased by \$208,048 for the year ended June 30, 2016. For the year ended June 30, 2015, total net position increased by \$163,245.
- As of the close of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$1,961,395, a decrease of \$95,430 in comparison with the prior year. Of this amount, \$455,677 is unassigned and available for spending, with none of it designated for specific future use by the Board of Trustees of the District. For the year ended June 30, 2015, the District's governmental funds had a combined ending fund balance of \$2,056,825, with \$640,778 being unassigned and available for spending. There was an increase of \$143,367 in the combined ending fund balance in the prior year.
- During the current year, the District's fixed assets increased by a net of \$7,493. The increase was mostly attributable to purchases of fixed assets in the amount of \$57,892, less depreciation. Depreciation expense, the ratable amortization of the cost of fixed assets, amounted to \$47,033 for the current year. Prior year depreciation was \$48,166.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Sanger/Del Rey Cemetery 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 two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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 giving

rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expense are reported in this statement for some items that will only result in cash flow in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the District that are principally non business in nature (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include cemetery activities, primarily for the residents of the Sanger/Del Rey area of Fresno County. The District has no business-type activities.

The government-wide financial statements include only the District itself. The District has no component units.

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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and proprietary funds. The District has no proprietary funds and only two governmental funds, the General Fund and the Endowment Care Fund.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental 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. Such information may be useful in evaluating a government's near term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenue, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between the two.

Notes to the 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.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain other supplementary information.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of June 30, 2016, the District's assets exceeded liabilities by \$2,936,523. A significant portion of the District's net position, \$1,031,009 (35 percent), reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. Capital assets are used to provide services to customers and they are not available for future spending.

In addition, \$1,493,975 (51 percent) of the District's net position is restricted for specific uses and, generally, is not available for future spending.

The following represent summaries of the District's net position and changes in net position for the current and prior years:

Sanger/Del Rey Cemetery District's Net Position

	<u>Governmental Activities</u>	<u>Current Year Total</u>	<u>Prior Year Total</u>
Current assets	\$ 1,999,550	\$ 1,999,550	\$ 2,103,695
Other assets	1,031,009	1,031,009	1,023,516
Deferred outflows	<u>274,457</u>	<u>274,457</u>	<u>52,723</u>
Total assets and deferred outflows	<u>3,305,016</u>	<u>3,305,016</u>	<u>3,179,934</u>
Current liabilities	38,155	38,155	46,870
Noncurrent liabilities	260,415	260,415	303,841
Deferred inflows	<u>69,923</u>	<u>69,923</u>	<u>100,748</u>
Total liabilities and deferred inflows	<u>368,493</u>	<u>368,493</u>	<u>451,459</u>
Net position:			
Invested in capital assets, net of related debt	1,031,009	1,031,009	1,023,516
Restricted - nonspendable	1,412,522	1,412,522	1,343,242
Restricted - spendable	81,453	81,453	62,118
Unrestricted	<u>411,539</u>	<u>411,539</u>	<u>299,599</u>
Total net position	<u>\$ 2,936,523</u>	<u>\$ 2,936,523</u>	<u>\$ 2,728,475</u>

Sanger/Del Rey Cemetery District's Changes in Net Position

	<u>Governmental Activities</u>	<u>Current Year Total</u>	<u>Prior Year Total</u>
Program revenue			
Charges for services	\$ 641,350	\$ 641,350	\$ 595,498
Capital grants and contributions	<u>2,970</u>	<u>2,970</u>	<u>2,650</u>
Total program revenue	644,320	644,320	598,148
Expense			
Cemetery activities	<u>845,111</u>	<u>845,111</u>	<u>824,306</u>
Increase/(decrease) in net position before general revenue	(200,791)	(200,791)	(226,158)
General revenue and other items	<u>408,839</u>	<u>408,839</u>	<u>389,403</u>
Increase in net position	208,048	208,048	163,245
Net position, beginning of year	<u>2,728,475</u>	<u>2,728,475</u>	<u>2,565,230</u>
Net position, end of year	<u>\$ 2,936,523</u>	<u>\$ 2,936,523</u>	<u>\$ 2,728,475</u>

Governmental activities. Governmental activities increased the District's net position by \$208,048, accounting for 100 percent of the total growth in net position.

Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds. The purpose of the District's governmental fund financial statements 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.

As of June 30, 2016, the District's governmental funds reported combined ending fund balances of \$1,961,395, a decrease of \$95,430 in comparison to the prior year. Of the combined ending fund balance, \$455,677 is unassigned and is available for spending at the District's discretion.

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets for its governmental activities as of June 30, 2016 amounted to \$1,031,009 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements and equipment.

Additional information on the District's capital assets can be found in note three.

Debt administration. Except for the unfunded pension obligation, the District had no long-term debt.

Additional information on the District's unfunded pension obligation can be found in note seven.

Economic Factors and Next Year's Budgets and Rates

The general fund budget for the year ending June 30, 2017 projects a deficit of \$2,032. Compared to the current year, revenue is anticipated to decrease by \$55,310 while expenditures are expected to decrease by \$237,685. Sales and services revenue is anticipated to decrease by \$47,879, property tax and intergovernmental revenue is expected to increase by \$799 and all other revenue is expected to decrease by \$8,230. Capital outlay is expected to decrease by \$5,892, salaries, wages and employee benefits are expected to decrease by \$199,499 and services and supplies are expected to decrease by \$32,294 compared to 2015/2016.

Current rates charged for services are expected to remain the same for 2016/2017.

Requests for Information

This financial report is designed to provide a general overview of Sanger/Del Rey Cemetery District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the District Manager, Sanger/Del Rey Cemetery District, 568 South Rainbow Avenue, Sanger, California 93657.

SANGER/DEL REY CEMETERY DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016

Assets	
Current assets	
Cash and cash equivalents	\$ 1,986,695
Interest receivable	1,112
Prepaid expense	<u>11,743</u>
Total current assets	1,999,550
Other assets	
Capital assets (net of allowance for depreciation)	1,031,009
Deferred outflows	
Pension plan contributions and adjustments	<u>274,457</u>
Total assets and deferred outflows	<u>3,305,016</u>
Liabilities	
Current liabilities	
Accounts payable and accrued expense	22,683
Compensated absences payable	<u>15,472</u>
Total current liabilities	38,155
Noncurrent liabilities	
Unfunded pension obligation	260,415
Deferred inflows	
Pension plan resources	<u>69,923</u>
Total liabilities and deferred inflows	<u>368,493</u>
Net Position	
Invested in capital assets, net of related debt	1,031,009
Restricted - nonspendable	1,412,522
Restricted - spendable	81,453
Unrestricted	<u>411,539</u>
Total net position	<u>\$ 2,936,523</u>

See accompanying notes to financial statements.

SANGER/DEL REY CEMETERY DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Expense</u>	<u>Program Revenue</u>		<u>Net Revenue/ (Expense)</u>
		<u>Charges for Services</u>	<u>Capital Grants and Contributions</u>	
Governmental operations				
Cemetery activities	<u>\$ 845,111</u>	<u>\$ 641,350</u>	<u>\$ 2,970</u>	<u>\$ (200,791)</u>
General revenue				
Property taxes				294,057
Interest and use of property				40,577
Intergovernmental				<u>4,925</u>
Total general revenue				<u>339,559</u>
Net revenue over/(under) expense				138,768
Other items				
Endowment contributions				<u>69,280</u>
Change in net position				208,048
Net position, beginning of year				<u>2,728,475</u>
Net position, end of year				<u>\$ 2,936,523</u>

See accompanying notes to financial statements.

SANGER/DEL REY CEMETERY DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2016

Assets	<u>General Fund</u>	<u>Infrastructure Fund</u>	<u>Endowment Care Fund</u>	<u>Total Governmental Funds</u>
Cash on hand	\$ 100	\$	\$	\$ 100
Cash in bank	101,068			101,068
Cash in county treasury	365,945	26,368	1,493,214	1,885,527
Interest receivable	337	14	761	1,112
Prepaid insurance	<u>11,743</u>			<u>11,743</u>
	<u>\$ 479,193</u>	<u>\$ 26,382</u>	<u>1,493,975</u>	<u>\$ 1,999,550</u>
 Liabilities and Fund Balance				
Current liabilities				
Accounts payable and accrued expense	\$ 22,683	\$	\$	\$ 22,683
Compensated absences payable	<u>15,472</u>			<u>15,472</u>
Total liabilities	<u>38,155</u>			<u>38,155</u>
 Fund balance				
Nonspendable	11,743		1,412,522	1,424,265
Restricted			81,453	81,453
Unassigned	<u>429,295</u>	<u>26,382</u>		<u>455,677</u>
Total fund balance	<u>441,038</u>	<u>26,382</u>	<u>1,493,975</u>	<u>1,961,395</u>
	<u>\$ 479,193</u>	<u>\$ 26,382</u>	<u>\$ 1,493,975</u>	<u>\$ 1,999,550</u>

See accompanying notes to financial statements.

SANGER/DEL REY CEMETERY DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE
SHEET TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2016

Amounts reported for governmental activities in the
statement of net position are different because:

Total fund balances – total governmental funds	\$ 1,961,395
Pension plan unfunded liability and deferred outflows and inflows are not financial resources and, therefore, are not reported in the funds statements	(55,881)
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds	<u>1,031,009</u>
Net position of governmental activities	<u>\$ 2,936,523</u>

See accompanying notes to financial statements.

SANGER/DEL REY CEMETERY DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	Infrastructure Fund	Endowment Care Fund	Total Governmental Funds
Revenue				
Sales and services	\$ 641,350	\$	\$ 69,280	\$ 710,630
Property taxes	294,057			294,057
Interest	7,588	362	19,335	27,285
Real estate rent	13,292			13,292
Other	6,336			6,336
Intergovernmental	4,925			4,925
Total revenue	<u>967,548</u>	<u>362</u>	<u>88,615</u>	<u>1,056,525</u>
Expenditures				
Current				
Employee benefits	453,207			453,207
Salaries and wages	378,292			378,292
Vaults and other costs of sales	67,363			67,363
Repairs and maintenance - grounds	50,618			50,618
Workmen's compensation insurance	18,411			18,411
Insurance	13,828			13,828
Repairs and maintenance - equipment	13,442			13,442
Travel and training	12,493			12,493
Utilities	11,869			11,869
Legal and professional	10,486			10,486
Fuel and oil	9,760			9,760
Office supplies and postage	9,419			9,419
Telephone	7,331			7,331
Waste disposal	5,099			5,099
Sand, cement and gravel	4,888			4,888
Security/gate closure	4,800			4,800
Automobile allowance	4,375			4,375
Auditing	4,000			4,000
Laundry and cleaning	3,787			3,787
Dues and subscriptions	3,092			3,092
Supplies and small tools	2,717			2,717
Tree trimming	1,700			1,700
Meals and entertainment	1,643			1,643
Bank charges	864			864
Miscellaneous	579			579
Capital outlay	57,892			57,892
Total expenditures	<u>1,151,955</u>			<u>1,151,955</u>
Revenue over/(under) expenditures	(184,407)	362	88,615	(95,430)
Fund balance, beginning of year	625,445	26,020	1,405,360	2,056,825
Fund balance, end of year	<u>\$ 441,038</u>	<u>\$ 26,382</u>	<u>\$ 1,493,975</u>	<u>\$ 1,961,395</u>

See accompanying notes to financial statements.

SANGER/DEL REY CEMETERY DISTRICT
 RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF
 REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
 TO CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2016

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

Net change in fund balances – total governmental funds	\$ (95,430)
Changes in unfunded pension obligation are not current financial resources and, therefore, are not reported in the funds statements. This is the amount of net changes in unfunded pension obligation in the current period	295,985
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period	<u>7,493</u>
Change in net position of governmental activities	<u>\$ 208,048</u>

See accompanying notes to financial statements.

SANGER/DEL REY CEMETERY DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

Note 1: Summary of Significant Accounting Policies

Sanger/Del Rey Cemetery District was organized April 8, 1925 upon the approval of the Board of Supervisors of Fresno County. The District was organized to serve Fresno County. As the District is a governmental unit, it is exempt from federal and California taxes on income.

The accounting and reporting policies of the District conform to generally accepted accounting principles applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Government Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units*, and by the Financial Accounting Standards Board (when applicable).

A. Financial Reporting Entity

As required by generally accepted accounting principles, these general purpose financial statements present the District in conformance with GASB Statement No. 14, "The Financial Reporting Entity." Under Statement No. 14, component units are organizations that are included in the District's reporting entity because of the significance of their operational or financial relationships with the District. The District has no component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements, which are the statement of net position and the statement of activities, report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or activity are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenue include charges to customers and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported in separate columns in the fund financial statements.

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

The financial statements of the District are presented using the full accrual method of accounting and conform to accounting principles generally accepted in the United States of America and with the policies and procedures of the office of the State Controller, State of California. The District's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements, as well as applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with the GASB pronouncements. The District's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

SANGER/DEL REY CEMETERY DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

Note 1: Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

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 when liabilities are incurred, regardless of the timing of related cash flow. Property taxes are recognized as revenue in the year in which they are levied. Grants and similar items are recognized as revenue when all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, District revenues are available if they are collected within 90 days of the end of the current period. Expenditures generally are recorded when liabilities are incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due.

The District reports the following major governmental funds:

The General Fund is the District's major operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Endowment Care Fund accounts for legislative mandated maintenance activities of the District.

Amounts reported as program revenue include charges to customers for goods and services, operating grants and contributions and capital grants and contributions.

D. Assets, Liabilities and Net Position or Equity

1. Cash and Investments

Investments are reported at fair value. Cash represents cash on hand and in banks. Investments made from pooled cash consist primarily of short-term investments.

2. Inventory

Inventory consists of expendable supplies held for consumption and are stated at cost on the first-in, first-out basis. The value of inventory is fully reserved in an equal amount.

3. Property, Plant and Equipment

Capital assets, which include property, plant and equipment are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of five years. All material fixed assets are valued at historical cost. Donated fixed assets

SANGER/DEL REY CEMETERY DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2016

Note 1: Summary of Significant Accounting Policies (continued)

Assets, Liabilities and Net Position or Equity (continued)

are valued at their estimated fair value on the date donated. When an asset is disposed of, cost and related accumulated depreciation is removed and any gain or loss arising from its disposal is credited or charged to operations. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Depreciation is recorded by using the straight-line method. The book value of each asset is reduced by equal amounts over its estimated useful life as follows:

	<u>Estimated Useful Life in Years</u>
Buildings	40
Land improvements	20 – 40
Equipment	5 – 25

4. Fund Equity

In the fund financial statements, governmental funds report fund balance amounts in the following classifications: Nonspendable, restricted, committed, assigned and unassigned. Nonspendable amounts represent inventories, prepaid items and long-term receivables. Restricted amounts have been restricted by external bodies. Committed amounts have been restricted by the District's governing board. Assigned amounts represent tentative designations by the District. Unassigned amounts are spendable and are not restricted, committed or assigned.

5. Net Position

Net position comprise the various net earnings from operating income, nonoperating revenue and expense and capital contributions. Net position are classified in the following three components:

Invested in capital assets, net of related debt – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvements of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net asset components as the unspent proceeds.

Restricted – This component of net position consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – This component of net position consists of net position that do not meet the definition of restricted or invested in capital assets, net of related debt.

SANGER/DEL REY CEMETERY DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2016

Note 1: Summary of Significant Accounting Policies (continued)

E. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

F. Budgets and Budgetary Accounting

The District established a budget for its governmental fund for the year ended June 30, 2016. The budget is adopted on a basis consistent with generally accepted accounting principles (GAAP).

Note 2: Cash

The District's deposits as of June 30, 2016, were entirely covered by federal depository insurance or otherwise collateralized. The Government Code of the State of California requires California financial institutions to secure District deposits by pledging government securities as collateral.

The following is an analysis of cash as of June 30, 2016:

	Bank Balance Category*			Carrying
	1	2	3	Amount
Cash on hand	\$ 100	\$	\$	\$ 100
Cash in banks	101,068			101,068
County of Fresno		1,885,527		1,885,527
	\$ 101,168	\$1,885,527	\$	\$1,986,695

* These categories are as follows:

Category 1: Cash on hand or insured by the Federal Deposit Insurance Corporation or collateralized with securities held by the District or by its agents in the District's name.

Category 2: Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

Category 3: Uncollateralized.

SANGER/DEL REY CEMETERY DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

Note 3: Capital Assets

Following is a summary of activity of the District's capital assets for the year ended June 30, 2016:

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
Land (not depreciated)	\$ 415,459	\$	\$	\$ 415,459
Buildings and improvements	787,495	22,585		810,080
Equipment	<u>412,609</u>	<u>35,307</u>	<u>17,596</u>	<u>430,320</u>
Total	1,615,563	57,892	17,596	1,655,859
Allowance for depreciation	<u>(592,047)</u>	<u>(47,033)</u>	<u>(14,230)</u>	<u>(624,850)</u>
	<u>\$1,023,516</u>	<u>\$ 10,859</u>	<u>\$ 3,366</u>	<u>\$1,031,009</u>

Note 4: Accounts Payable

Accounts payable and accrued expense as of June 30, 2016 consisted of the following:

Accrued payroll	\$ 11,149
Trade payables	8,571
Sales tax payable	<u>2,963</u>
	<u>\$ 22,683</u>

Note 5: Fund Balance – Reserved and Designated

The following is an analysis of designated fund balances as of June 30, 2016:

Nonspendable for	
Endowment	\$1,412,522
Prepaid insurance	11,743
Restricted for	
Cemetery maintenance	81,453

Note 6: Sales and Service

Charges for current sales and services for the year ended June 30, 2016 consisted of the following:

Vault sales	\$ 183,820
Grave openings	181,969
Land sales	157,047
Endowment care	69,280
Other services	60,679
Nonresident charges	49,830
Other	<u>8,005</u>
	<u>\$ 710,630</u>

SANGER/DEL REY CEMETERY DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

Note 7: Employee Retirement System

The District contributes to the California Public Employees' Retirement System (PERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California.

PERS offers three types of benefits. The Service Retirement plan provides monthly income upon retirement of eligible employees. The Non-Industrial (Non-Job Related) Disability Retirement plan provides monthly income to eligible employees who become permanently disabled on or off the job. The Pre-retirement Death Benefits plan provides a lump sum payment to an employee's beneficiary (or estate) should a member die while actively employed. PERS has the authority to amend any one of these plans.

Contributions. District employees are required to contribute seven percent of their annual salary to the System. The District is required to contribute the remaining amounts necessary to fund the benefits for its members, using the actuarial basis adopted by the PERS Board of Administration.

For the year ended June 30, 2016, the District's total payroll for all employees was \$378,292. Total covered payroll was \$378,415. Payments by the District to the plan during the year ended June 30, 2016 aggregated \$289,650, including payment of the District's estimated unfunded liability as of June 30, 2015 of \$228,543.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. As of June 30, 2016, the District reported an unfunded pension obligation of \$260,415 for its proportionate share of the net pension obligation. The net pension obligation was measured as of June 30, 2015 and the total pension obligation used to calculate the net unfunded pension obligation was determined by an actuarial valuation as of that date. The District's portion of the net pension obligation 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 entities, actuarially determined.

Pension plan activity and balances reflected in the Statement of Net Position and Statement of Activities reflect activity and balances through June 30, 2015. Pension plan payments to the plan during the year ended June 30, 2016 (\$289,650) are included in deferred outflows pension plan contributions and adjustments.

Additional amounts included in deferred outflows pension plan contributions and adjustments (\$45,914) are adjustments due to differences in proportions.

Deferred inflows pension plan resources (\$69,923) reflect the net difference between projected and actual earnings on pension plan investments. Amounts reported as deferred outflows and deferred inflows of resources related to pensions, other than the employer-specific item, will be recognized in future pension expense over the four years ending June 30, 2019.

The net pension obligation was computed using a 7.65 percent future annual earnings rate on current investments. The following reflects the net pension obligation at various annual earnings rates:

SANGER/DEL REY CEMETERY DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

Note 7: Employee Retirement System (continued)

Net pension obligation using a 6.65 percent annual rate of earnings	\$ 436,734
Net pension obligation using a 7.65 percent annual rate of earnings	260,415
Net pension obligation using a 8.65 percent annual rate of earnings	114,843

The District's PERS pension plan fiduciary net position was \$1,496,353 and the total pension liability was \$1,756,768 as of June 30, 2015. Detailed information about the pension plans' fiduciary net position and total pension liability is available in separately issued PERS financial reports.

Note 8: Expenditures in Excess of Appropriations

Actual expenditures exceeded budgeted expenditures by \$268,716 for the year ended June 30, 2016.

Note 9: Subsequent Events

Events affecting the District subsequent to June 30, 2016 through August 31, 2016 have been evaluated and included within these financial statements when applicable.

Note 10: Board of Trustees

Members of the Board of Trustees as of June 30, 2016, were as follows:

Rene Gonzalez	President
Mark Johnson	Secretary
Bill Collins	Treasurer

SANGER/DEL REY CEMETERY DISTRICT
GENERAL FUND
STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund		
	Budget	Actual	Variance
Revenue			
Sales and services	\$ 574,969	\$ 641,350	\$ 66,381
Property taxes	289,208	294,057	4,849
Real estate rent	13,292	13,292	
Interest	5,770	7,588	1,818
Intergovernmental		6,336	6,336
Other		4,925	4,925
Total revenue	<u>883,239</u>	<u>967,548</u>	<u>84,309</u>
Expenditures			
Current			
Employee benefits	207,500	453,207	(245,707)
Salaries and wages	375,400	378,292	(2,892)
Vaults and other costs of sales	37,600	67,363	(29,763)
Repairs and maintenance – grounds	66,034	50,618	15,416
Workmen's compensation insurance	17,985	18,411	(426)
Insurance	15,250	13,828	1,422
Repairs and maintenance – equipment	8,600	13,442	(4,842)
Travel and training	4,900	12,493	(7,593)
Utilities	13,000	11,869	1,131
Legal and professional	5,000	10,486	(5,486)
Fuel and oil	12,000	9,760	2,240
Office supplies and postage	7,000	9,419	(2,419)
Telephone	7,200	7,331	(131)
Waste disposal	5,020	5,099	(79)
Sand, cement and gravel	2,500	4,888	(2,388)
Security/gate closure	5,200	4,800	400
Automobile allowance	4,200	4,375	(175)
Auditing	4,000	4,000	
Laundry and cleaning	3,600	3,787	(187)
Dues and subscriptions	3,350	3,092	258
Supplies and small tools	900	2,717	(1,817)
Tree trimming	2,000	1,700	300
Meals and entertainment		1,643	(1,643)
Bank charges	900	864	36
Miscellaneous	600	579	21
Capital outlay	<u>73,500</u>	<u>57,892</u>	<u>15,608</u>
Total expenditures	<u>883,239</u>	<u>1,151,955</u>	<u>(268,716)</u>
Revenue over/(under) expenditures	-0-	(184,407)	(184,407)
Fund balance, beginning of year	<u>625,445</u>	<u>625,445</u>	
Fund balance, end of year	<u>\$ 625,445</u>	<u>\$ 441,038</u>	<u>\$ (184,407)</u>

See accompanying notes to financial statements.

SANGER/DEL REY CEMETERY DISTRICT
 SCHEDULE OF PROPORTIONATE SHARE OF
 NET PENSION LIABILITY
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>2015/2016</u>
District's proportion of the net pension liability	0.00949219%
District's proportionate share the net pension liability	\$ 260,415
District's covered employee payroll	369,659
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	70.44%
Plan fiduciary net position as a percentage of the total pension liability	85.18%

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

See accompanying notes to financial statements.

SANGER/DEL REY CEMETERY DISTRICT
SCHEDULE OF CONTRIBUTIONS TO
PUBLIC EMPLOYEES RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30, 2016

	<u>2015/2016</u>
Contractually required contribution	\$ 50,008
Contributions in relation to the contractually required contribution	<u>289,650</u>
Contribution deficiency/(excess)	<u>\$ (239,642)</u>
District's covered employee payroll	\$ 369,659
Contributions as a percentage of covered employee payroll	78.36%

See accompanying notes to financial statements.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

INDEPENDENT AUDITOR'S REPORT

August 31, 2016

Board of Trustees
Sanger/Del Rey Cemetery District
Sanger, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Sanger/Del Rey Cemetery District as of and for the year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated August 31, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Sanger/Del Rey Cemetery District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sanger/Del Rey Cemetery District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of the Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Sanborn and Sanborn
Accountancy Corporation*

CERTIFIED PUBLIC ACCOUNTANTS