

LOMPOC CEMETERY DISTRICT

AUDIT REPORT
June 30, 2018

LOMPOC CEMETERY DISTRICT
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Financial Section



INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Lompoc Cemetery District
Lompoc, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the fiduciary funds of the Lompoc Cemetery District (District) as of and for the fiscal year ended June 30, 2018, 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 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 to 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 auditors' 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, each major fund, and the fiduciary funds of the Lompoc Cemetery District, as of June 30, 2018, and the respective changes in financial position thereof for the fiscal 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 the budgetary information on page 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 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.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2019, on our consideration of the Lompoc 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.

Moss, Reny & Haulgheim LLP

Santa Maria, California
January 24, 2019

LOMPOC CEMETERY DISTRICT
STATEMENT OF NET POSITION
June 30, 2018

	Governmental Activities
ASSETS	
Cash and investments	\$ 2,038,250
Accounts receivable	6,246
Prepaid expenses	31,831
Capital assets:	
Nondepreciable	40,821
Depreciable, net	<u>301,474</u>
 Total assets	 <u>2,418,622</u>
 LIABILITIES	
Accounts payable	4,944
Sales tax payable	711
Compensated absences	<u>57,042</u>
 Total liabilities	 <u>62,697</u>
 NET POSITION	
Net investment in capital assets	342,295
Restricted for:	
Restricted for perpetual care	644,978
Restricted for maintenance	281,006
Unrestricted	<u>1,087,646</u>
 Total net position	 <u><u>\$ 2,355,925</u></u>

The notes to basic financial statements are an integral part of this statement.

LOMPOC CEMETERY DISTRICT
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2018

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
			<u>Operating Contributions and Grants</u>	<u>Capital Contributions and Grants</u>	
Governmental activities:					
Cemetery	\$ 592,306	\$ 370,062	\$ -	\$ -	\$ (222,244)
Total governmental activities	<u>\$ 592,306</u>	<u>\$ 370,062</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(222,244)</u>
General Revenues					
Taxes:					
Secured and unsecured property taxes					452,266
Intergovernmental					2,092
Investment income (loss)					(2,611)
Rental income					<u>8,400</u>
Total general revenues					<u>460,147</u>
Change in net position					237,903
Net position, beginning of fiscal year					<u>2,118,022</u>
Net position, end of fiscal year					<u>\$ 2,355,925</u>

The notes to basic financial statements are an integral part of this statement.

LOMPOC CEMETERY DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2018

	General Fund	Permanent Fund	Totals
ASSETS			
Cash and investments	\$ 1,112,640	\$ 925,610	\$ 2,038,250
Accounts receivable	6,246		6,246
Prepaid expenditures	31,831		31,831
Due from general fund		374	374
	<u>1,150,717</u>	<u>925,984</u>	<u>2,076,701</u>
Total assets	<u>\$ 1,150,717</u>	<u>\$ 925,984</u>	<u>\$ 2,076,701</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 4,944	\$ -	\$ 4,944
Due to permanent fund	374		374
Sales tax payable	711		711
	<u>6,029</u>		<u>6,029</u>
Total liabilities	<u>6,029</u>		<u>6,029</u>
Fund Balances:			
Nonspendable:			
Prepaid expenditures	31,831		31,831
Perpetual care		644,978	644,978
Restricted:			
Maintenance		281,006	281,006
Unassigned	<u>1,112,857</u>		<u>1,112,857</u>
Total fund balances	<u>1,144,688</u>	<u>925,984</u>	<u>2,070,672</u>
Total liabilities and fund balances	<u>\$ 1,150,717</u>	<u>\$ 925,984</u>	<u>\$ 2,076,701</u>

The notes to basic financial statements are an integral part of this statement.

LOMPOC CEMETERY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL
FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2018

Total Fund Balances	\$	2,070,672
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Amounts reported for governmental activities in the statement of net position are different because:

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 at historical cost	\$	956,122	
Accumulated depreciation		<u>(613,827)</u>	
Net			342,295

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:

Compensated absences		(57,042)	
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Total Net Position	\$	<u><u>2,355,925</u></u>
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The notes to basic financial statements are an integral part of this statement.

LOMPOC CEMETERY DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2018

	General Fund	Permanent Fund	Totals
Revenues:			
Property taxes	\$ 452,266	\$ -	\$ 452,266
Investment income (loss)	(889)	(1,722)	(2,611)
Rental income	8,400		8,400
Intergovernmental	2,092		2,092
Sale of burial rights	117,264	42,457	159,721
Charges for services	210,341		210,341
	<u>789,474</u>	<u>40,735</u>	<u>830,209</u>
Expenditures:			
Salaries and benefits	406,499		406,499
Services and supplies	157,556		157,556
Capital outlay	52,111		52,111
	<u>616,166</u>	<u></u>	<u>616,166</u>
Excess of revenues over (under) expenditures	173,308	40,735	214,043
Fund balances, July 1	<u>971,380</u>	<u>885,249</u>	<u>1,856,629</u>
Fund balances, June 30	<u>\$ 1,144,688</u>	<u>\$ 925,984</u>	<u>\$ 2,070,672</u>

The notes to basic financial statements are an integral part of this statement.

LOMPOC CEMETERY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2018

Net Change in Fund Balances	\$ 214,043
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>Capital assets are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which additions to capital assets of \$52,111 is more than depreciation expense of (\$27,087) in the period.</p>	25,024
<p>In the statement of activities, compensated absences are measured by the amounts earned during each fiscal year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amount paid). This fiscal year, vacation earned was more than the amounts used by \$1,164.</p>	(1,164)
Change in net position	\$ 237,903

The notes to basic financial statements are an integral part of this statement.

LOMPOC CEMETERY DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2018

	<u>Private Purpose Trust Funds</u>		
	<u>Ryon</u>	<u>Cooper</u>	
	<u>Trust Fund</u>	<u>Trust Fund</u>	<u>Total</u>
ASSETS			
Cash and investments	\$ 5,521	\$ 7,157	\$ 12,678
Total assets	<u>5,521</u>	<u>7,157</u>	<u>12,678</u>
 NET POSITION			
Held in trust for perpetual care of plots	5,521	7,157	12,678
Total net position	<u>\$ 5,521</u>	<u>\$ 7,157</u>	<u>\$ 12,678</u>

The notes to basic financial statements are an integral part of this statement.

LOMPOC CEMETERY DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Fiscal Year Ended June 30, 2018

	Private Purpose Trust Funds		Total
	Ryon Trust Fund	Cooper Trust Fund	
ADDITIONS:			
Investment income (loss)	\$ 7	\$ (45)	\$ (38)
Total Additions	<u>7</u>	<u>(45)</u>	<u>(38)</u>
DEDUCTIONS:			
Services and supplies	<u> </u>	<u> </u>	<u> </u>
Total Deductions	<u> </u>	<u> </u>	<u> </u>
Change in Net Position	7	(45)	(38)
Net Position, beginning of fiscal year	<u>5,514</u>	<u>7,202</u>	<u>12,716</u>
Net Position, end of fiscal year	<u>\$ 5,521</u>	<u>\$ 7,157</u>	<u>\$ 12,678</u>

The notes to basic financial statements are an integral part of this statement.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The Lompoc Cemetery District (the District) is an independent division of local government authorized by California Health and Safety Code Section 9000 et seq.. The District is governed by a Board of Trustees appointed by the County Board of Supervisors to serve four-year terms or until successors are appointed and qualified.

B. Reporting Entity

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

C. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

D. Basis of Presentation

Government-wide Financial Statements:

The government-wide statements are prepared using the economic resources measurement focus. This approach differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements:

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

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

Fiduciary funds are reported using the economic resources measurement focus.

LOMPOC CEMETERY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Basis of Accounting

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

Revenues – exchange and non-exchange transactions:

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

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes and grants. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned revenue:

Unearned revenues arises when assets are received before revenue recognition criteria have been satisfied. Grants received before eligibility requirements are met are recorded as unearned revenue.

Expenses/expenditures:

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

When both restricted and unrestricted resources are available for use except for endowment interest, it is the District’s policy to use restricted resources first then unrestricted resources as they are needed. In the case of endowment interest, unrestricted funds are used first.

F. Fund Accounting

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

LOMPOC CEMETERY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Accounting (Continued)

Major Governmental Funds:

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

The Permanent Fund was created to account for funds received for future maintenance and care of the cemetery. The interest earned on the principal in the fund may be used for the general care of the District. The fund principal may never be spent.

Fiduciary Funds:

The Private-Purpose Trust Funds are used to report resources held and administered by the District, when it is acting in a fiduciary capacity, to provide maintenance and care for two individual family plots. The funds are not available to support the District's own activities.

G. Budgets and Budgetary Accounting

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

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

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

H. Investments

Investments are stated at fair value.

I. Prepaid Items

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

J. Encumbrances

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

K. Capital Assets

Capital assets (including infrastructure) are recorded at cost where historical records are available and at an estimated original cost where no historical records exist. Contributed capital assets are valued at their estimated fair value at the date of the contribution. Capital assets are defined by the District as assets with an initial, individual cost of more than \$1,000.

LOMPOC CEMETERY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Capital Assets (Continued)

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

Equipment	1 to 25 years
Structures	5 to 100 years

L. Estimates

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

M. Long-term Obligations

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

N. Compensated Absences

The District's policy permits employees to accumulate earned but unused vacation on a calendar year basis. Any unused vacation is forfeited on December 31st of each year. The District's policy permits employees to accumulate earned but unused sick leave benefits and overtime compensation benefits that carry forward to future years. All vacation, sick, and overtime compensation pay is accrued when incurred in the government-wide financial statements. A liability for those amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

O. Fund Balances

Fund balance of the governmental funds are classified as follows:

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

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

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

LOMPOC CEMETERY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Fund Balances (Continued)

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

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

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

P. Future Accounting Pronouncements

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

Statement No. 83	"Certain Asset Retirement Obligations"	The provisions of this statement are effective for fiscal years beginning after June 15, 2018.
Statement No. 84	"Fiduciary Activities"	The provisions of this statement are effective for fiscal years beginning after December 15, 2018.
Statement No. 87	"Leases"	The provisions of this statement are effective for fiscal years beginning after December 15, 2019.
Statement No. 88	"Certain Disclosures Related to Debt, included Direct Borrowings and Direct Placements"	The provisions of this statement are effective for fiscal years beginning after June 15, 2018.
Statement No. 89	"Accounting for Interest Cost Incurred before the End of a Construction Period"	The provisions of this statement are effective for fiscal years beginning after December 15, 2019.
Statement No. 90	"Majority Equity Interests-an Amendment of GASB Statements No. 14 and No. 61"	The provisions of this statement are effective for fiscal years beginning after December 15, 2018.

LOMPOC CEMETERY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 2 - CASH AND INVESTMENTS

Investments are carried at fair value. On June 30, 2018, the District had the following cash and investments on hand:

Cash on hand	\$ 200
Cash in banks	658,189
Investments	<u>1,392,539</u>
Total cash and investments	<u>\$ 2,050,928</u>

Cash and investments are presented on the accompanying basic financial statements, as follows:

Cash and investments, statement of net position	\$ 2,038,250
Cash and investments, statement of fiduciary net position	<u>12,678</u>
Total cash and investments	<u>\$ 2,050,928</u>

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 has the following recurring fair value measurements as of June 30, 2018:

	<u>Fair Value Measurement Using</u>		
	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<u>Investments by fair value level</u>			
Debt securities			
Medium-Term notes	\$ 367,819	\$ 367,819	\$ -
US Agency obligations	256,685	256,685	-
Negotiable certificates of deposit	398,464	398,464	-
Mutual funds - governmental bonds	<u>311,832</u>	<u>311,832</u>	<u>-</u>
Total investments measured at fair value	1,334,800	<u>\$ 1,334,800</u>	<u>\$ -</u>
Investments measured at amortized cost			
Money market funds	<u>57,739</u>		
Total investments	<u>\$ 1,392,539</u>		

Cash on Hand and in Banks

Cash balances on hand and in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation.

LOMPOC CEMETERY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 2 - CASH AND INVESTMENTS (Continued)

Investments Authorized by the California Government Code

The table below identifies the investment types that are authorized for the District by the California Government Code. The table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Obligations	N/A	None	None
Federal Agency Securities	N/A	None	None
Bankers' Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	N/A	30%	None
Repurchase and Reverse Repurchase Agreements	92 days	20% of base value	None
Medium-Term Notes	5 years	30%	None
Money Market Mutual Funds	N/A	None	None
Mortgage Pass-Through Securities	N/A	20%	None
County Pooled Investment Fund	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
State Registered Warrants, Notes, or Bonds	5 years	None	None
Notes and Bonds of other Local California Agencies	5 years	None	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's investments (including investments held by fiscal agents) to market interest rate fluctuations is provided by the following table, that shows the distribution of the District's investments by maturity:

Investment Type	Carrying Amount	Remaining Maturity (in Months)			
		12 Months Or Less	13-24 Months	25-60 Months	More than 60 months
Medium-Term notes	\$ 367,819	\$ 74,764	\$ 73,875	\$ 219,180	\$ -
US Agency obligations	256,685		29,516	102,789	124,380
Negotiable certificates of deposit	398,464	69,865	124,579	204,020	
Mutual funds - governmental bonds	311,832	311,832			
Money market funds	57,739	57,739			
	<u>\$ 1,392,539</u>	<u>\$ 514,200</u>	<u>\$ 227,970</u>	<u>\$ 525,989</u>	<u>\$ 124,380</u>

LOMPOC CEMETERY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2018

NOTE 2 - CASH AND INVESTMENTS (Continued)

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

Investment Type	Carrying Amount	Minimum Legal Rating	Rating as of Fiscal Year End					
			AA+	AA-	A+	A	A-	Not Rated
Medium-Term notes	\$ 367,819	N/A	\$ -	\$ 44,843	\$ 29,667	\$ 117,157	\$ 176,152	\$ -
US Agency obligations	256,685	N/A	256,685					
Negotiable certificates of deposit	398,464	N/A						398,464
Mutual funds - governmental bonds	311,832	N/A						311,832
Money market funds	57,739	N/A						57,739
	<u>\$ 1,392,539</u>		<u>\$ 256,685</u>	<u>\$ 44,843</u>	<u>\$ 29,667</u>	<u>\$ 117,157</u>	<u>\$ 176,152</u>	<u>\$ 768,035</u>

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District investments is as follows:

<u>Investment Type</u>	<u>Reported Amount</u>
Medium-Term notes	\$ 102,794
US Agency obligations	254,125

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: 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 fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the District's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2018, none of the District's deposits with financial institutions in excess of federal insurance limits were held in uncollateralized accounts.

Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as U.S Treasury securities, mutual funds, and external investment pools).

LOMPOC CEMETERY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 3 - PROPERTY TAXES

Property taxes in the State of California are administered for all local agencies at the county level, and consist of secured, unsecured, and utility tax rolls. The following is a summary of major policies and practices relating to property taxes:

Property Valuations - are established by the Assessor of the County of Santa Barbara for the secured and unsecured property tax rolls; the utility property tax roll is valued by the State Board of Equalization. Under the provision of Article XIII A of the State Constitution (Proposition 13 adopted by the voters on June 6, 1978), properties are assessed at 100% of full value. From the base assessment, subsequent annual increases in valuation are limited to a maximum of 2%. However, increases to full value are allowed for property improvements or upon change in ownership. Personal property is excluded from these limitations, and is subject to annual reappraisal.

Tax Levies - are limited to 1% of full value which results in a tax rate of \$1.00 per \$100 assessed valuation, under the provisions of Proposition 13. Tax rates for voter-approved indebtedness are excluded from this limitation.

Tax Levy Dates - are attached annually on January 1, preceding the fiscal year for which the taxes are levied. The fiscal year begins July 1 and ends June 30 of the following year. Taxes are levied on both real and unsecured personal property as it exists at the time. Liens against real estate, as well as the tax on personal property, are not relieved by subsequent renewal or change in ownership.

Tax Collections - are the responsibility of the County Tax Collector. Taxes and assessments on secured and utility rolls which constitute a lien against the property, may be paid in two installments: the first is due on November 1 of the fiscal year and is delinquent if not paid by December 10; and the second is due on March 1 of the fiscal year and is delinquent if not paid by April 10. Unsecured personal property taxes do not constitute a lien against real property unless the taxes become delinquent. Payment must be made in one installment, which is delinquent if not paid by August 31 of the fiscal year. Significant penalties are imposed by the county for late payments.

Tax Levy Apportionments - Due to the nature of the District-wide maximum levy, it is not possible to identify general purpose tax rates for specific entities. Under State legislation adopted subsequent to the passage of Proposition 13, apportionments to local agencies are made by the County Auditor-Controller based primarily on the ratio that each agency represented of the total District-wide levy for the three years prior to fiscal year 1979.

Property Tax Administration Fees - The State of California FY 90-91 Budget Act, authorized counties to collect an administrative fee for collection and distribution of property taxes.

NOTE 4 – CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2018, was as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Nondepreciable capital assets:				
Land	\$ 8,700	\$ -	\$ -	\$ 8,700
Construction in progress		32,121		32,121
Total nondepreciable capital assets	<u>\$ 8,700</u>	<u>\$ 32,121</u>	<u>\$ -</u>	<u>\$ 40,821</u>
Depreciable capital assets:				
Buildings and improvements	\$ 788,877	\$ 12,990	\$ -	\$ 801,867
Equipment	106,434	7,000		113,434
Total depreciable capital assets	895,311	19,990		915,301
Less accumulated depreciation	586,740	27,087		613,827
Net depreciable capital assets	<u>\$ 308,571</u>	<u>\$ (7,097)</u>	<u>\$ -</u>	<u>\$ 301,474</u>
Net capital assets	<u>\$ 317,271</u>	<u>\$ 25,024</u>	<u>\$ -</u>	<u>\$ 342,295</u>

LOMPOC CEMETERY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2018

NOTE 5 – LONG-TERM DEBT

Changes in long-term liabilities

The following is a summary of long-term liabilities activity for the fiscal year ended June 30, 2018:

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Due Within One Year
Compensated absences	\$ 55,878	\$ 31,466	\$ 30,302	\$ 57,042	\$ -
Total long-term liabilities	<u>\$ 55,878</u>	<u>\$ 31,466</u>	<u>\$ 30,302</u>	<u>\$ 57,042</u>	<u>\$ -</u>

NOTE 6 – PENSION PLAN

Plan Description

All employees of Lompoc Cemetery District are eligible to participate in the District’s sponsored individual retirement account (IRA). The account is administered through the American Funds.

The plan commenced on January 1, 2007, by resolution of the governing board and provided for employer contributions of 10% for the fiscal year June 30, 2018.

The Board of Trustees holds exclusive authority for amending contribution requirements. Total District’s contributions to the plan amounted to \$30,925, during the fiscal year ended June 30, 2018.

NOTE 7 – NET POSITION

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

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

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

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

NOTE 8 - INTERFUND TRANSACTIONS

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental funds are netted as part of the reconciliation to the government-wide financial statements.

LOMPOC CEMETERY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2018

NOTE 8 - INTERFUND TRANSACTIONS (CONTINUED)

Due From/Due to Other Funds

Individual fund interfund receivable and payable balances at June 30, 2018, are as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Governmental Funds:		
General Fund	\$ -	\$ 374
Permanent Fund	<u>374</u>	<u> </u>
Totals	<u>\$ 374</u>	<u>\$ 374</u>

NOTE 9 – COMMITMENTS AND CONTINGENCIES

State and Federal Allowances, Awards, and Grants

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under the terms of the grants, it is believed that any required reimbursements will not be material.

Litigation

According to the District's staff, no contingent liabilities are outstanding and no lawsuits are pending of any real financial consequence.

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Required Supplementary Information Section

LOMPOC CEMETERY DISTRICT
BUDGET COMPARISON SCHEDULE -
GENERAL FUND
For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 379,600	\$ 379,600	\$ 452,266	\$ 72,666
Investment income (loss)	200	200	(889)	(1,089)
Rental income	8,400	8,400	8,400	
Intergovernmental	2,450	2,450	2,092	(358)
Sale of burial rights	90,000	90,000	117,264	27,264
Charges for services	181,450	181,450	210,341	28,891
Total revenues	<u>662,100</u>	<u>662,100</u>	<u>789,474</u>	<u>127,374</u>
Expenditures:				
Salaries and benefits	441,800	441,800	406,499	35,301
Services and supplies	170,300	170,300	157,556	12,744
Capital outlay	50,000	50,000	52,111	(2,111)
Total expenditures	<u>662,100</u>	<u>662,100</u>	<u>616,166</u>	<u>45,934</u>
Excess of revenues over (under) expenditures			173,308	173,308
Fund balance, July 1	<u>971,380</u>	<u>971,380</u>	<u>971,380</u>	
Fund balance, June 30	<u>\$ 971,380</u>	<u>\$ 971,380</u>	<u>\$ 1,144,688</u>	<u>\$ 173,308</u>

