

EAST KERN CEMETERY DISTRICT

AUDIT REPORT

For the Fiscal Year Ended

June 30, 2019

EAST KERN CEMETERY DISTRICT

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EAST KERN CEMETERY DISTRICT

BOARD OF TRUSTEES AND PERSONNEL

June 30, 2019

<u>TRUSTEE</u>	<u>OFFICE</u>	<u>TERM EXPIRE</u>
Victor Yaw	Chairman	November 30, 2019
Glenda Willie	Vice-Chairman	March 11, 2020
Harold L. Smith	Trustee	November 30, 2019
Owen L. Carder III	Trustee	March 11, 2020
Buford Land	Trustee	March 11, 2020

PERSONNEL

Paul Holzer, Manager



Blomberg & Griffin Accountancy Corporation
Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
East Kern Cemetery District
Mojave, California

Report on the Financial Statements

We have audited the accompanying financial statements of East Kern Cemetery District as of and for the year ended June 30, 2019, 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 minimum audit standard for California Special District. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the East Kern Cemetery District, as of June 30, 2019, and the respective changes in financial position, and where applicable, 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 the management's discussion and analysis on pages 3 through 8, the budgetary comparison schedule on page 42, schedule of the District's proportionate share of net pension liability on page 44, and schedule of District pension contributions on page 45 identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statement. 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.

Blomberg & Griffin A.C.

Blomberg & Griffin A.C.

Stockton, CA

August 20, 2019

EAST KERN CEMETERY DISTRICT

Management's Discussion and Analysis

June 30, 2019

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the East Kern Cemetery District (the District) provides introduction to the financial statements of the District for the year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with the financial statements and related notes, which follows this section.

FINANCIAL HIGHLIGHTS

- The District's total assets and deferred outflows of resources were valued at \$1,588,101 on June 30, 2019.
- The District's total liabilities and deferred inflows of resources were valued at \$760,122 on June 30, 2019.
- The District's total net position was valued at \$827,979 On June 30, 2019.
- Total net position continued to remain stable with a 1.65% increase from prior fiscal year.
- Operating revenues for the year were \$490,990 which is \$9,938 more than revenue collected in the prior fiscal year.
- Operating expenses totaled \$480,377 which is \$28,897 more than the prior fiscal year.
- Total revenues for this fiscal year ended June 30, 2019, were \$13,441 more than total expenses, which include \$2,828 transfer in from endowment care funds.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District.

The first two statements are government-wide financial statements that provide both short-term and long-term information about the District's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operation in more detail than the government-wide statements.

The fund financial statements are composed of:

- Governmental fund statements, which tell how basic services were financed in the short-term, as well as what remained for future spending.

EAST KERN CEMETERY DISTRICT

Management's Discussion and Analysis

June 30, 2019

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

The Statement of Net Position and the Statement of Activities

The statement of net position and statement of activities report information about the District as a whole and its activities. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are considered regardless of when cash is received or paid.

These two statements report the District's net position and changes in them. Net position are the difference between assets and liabilities, which is one way to measure the District's financial health, or financial position. Overtime increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To assess the overall health of the District, you need to consider additional non-financial factors including the condition the District's buildings and other facilities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to record specific sources of funding and spending on particular programs:

- Some funds are required by law and covenants.
- The District establishes other funds to control and manage money for particular purposes or to show that certain revenues have been properly used.

Governmental Funds

Most of the District's basic services are reported in governmental funds which generally focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using the modified accrual accounting, which measures cash, and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statement, we provide additional information of the governmental fund statements that explain the relationship (or differences) between them.

EAST KERN CEMETERY DISTRICT

Management's Discussion and Analysis

June 30, 2019

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The following table presents a summary of the District's statement of net position by category as of June 30, 2019 and 2018.

TABLE 1: CONDENSED NET POSITION

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>Change</u>
Assets			
Current Assets	\$ 781,323	\$ 682,264	\$ 99,059
Other Assets	229,607	232,562	(2,955)
Capital Assets	379,937	395,974	(16,037)
Deferred Outflows of Resources	<u>197,234</u>	<u>240,234</u>	<u>(43,000)</u>
Total Assets	<u>\$ 1,588,101</u>	<u>\$ 1,551,034</u>	<u>\$ 37,067</u>
Liabilities			
Current Liabilities	\$ 39,528	\$ 16,369	\$ 23,159
Net Pension Obligation	452,431	448,133	4,298
Deferred Inflows of Resources	<u>268,163</u>	<u>271,994</u>	<u>(3,831)</u>
Total Liabilities	<u>760,122</u>	<u>736,496</u>	<u>23,626</u>
Net Position			
Invested in Capital Assets, net of related debt	379,937	395,974	(16,037)
Restricted	229,607	232,562	(2,955)
Unrestricted	<u>218,435</u>	<u>186,002</u>	<u>32,433</u>
Total Net Position	<u>827,979</u>	<u>814,538</u>	<u>13,441</u>
Total Liabilities and Net Position	<u>\$ 1,588,101</u>	<u>\$ 1,551,034</u>	<u>\$ 37,067</u>

EAST KERN CEMETERY DISTRICT

Management's Discussion and Analysis

June 30, 2019

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)

A summary of total District statement of activities is presented in the table below.

TABLE 2: CONDENSED STATEMENTS OF ACTIVITIES

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>Change</u>
Revenues			
Program Revenues:			
Charges for Services	\$ 59,469	\$ 58,401	\$ 1,068
Homeowner Property Tax	3,174	3,306	(132)
General Revenues:			
Taxes	415,432	412,783	2,649
Interest and Investment Earnings	12,915	6,562	6,353
Total Revenues	<u>490,990</u>	<u>481,052</u>	<u>9,938</u>
Program Expenses			
Governmental Activities	434,967	402,397	32,570
Depreciation	45,410	49,083	(3,673)
Total Expenses	<u>480,377</u>	<u>451,480</u>	<u>28,897</u>
Transfer In	<u>2,828</u>	<u>2,612</u>	<u>216</u>
Changes in Net Position	<u>\$ 13,441</u>	<u>\$ 32,184</u>	<u>\$ (19,175)</u>

The District's net position increased by \$13,441 due primarily to the changes in revenues and expenses discussed above.

EAST KERN CEMETERY DISTRICT

Management's Discussion and Analysis

June 30, 2019

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)

Endowment Care Fund

The endowment care fund had cash balance at June 30, 2019 of \$183,981. The endowment care fund increased by \$6,950 for the fiscal year ended June 30, 2019.

General Fund Budgetary Highlights

As finalized by the Board of Directors, budgeted revenues totaled \$441,500. Budgeted expenditures totaled \$516,400. Revenues exceeded budget by \$48,490 while expenditures were less than budget by \$98,492 resulting in an overall positive variance of \$146,972.

Capital Assets at Year End-Net of Depreciation

As of June 30, 2019, and 2018 the District owned the following capital assets:

TABLE 4: CAPITAL ASSETS

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Capital Assets		
Land	\$ 10	\$ 10
Building and Improvements	592,086	592,086
Equipment and Computer Software	287,177	287,177
Accumulated Depreciation	<u>(483,299)</u>	<u>(483,299)</u>
Total Capital Assets-Net of Depreciation	<u><u>\$ 395,974</u></u>	<u><u>\$ 395,974</u></u>

LONG-TERM DEBT

With the implementation of GASB 68, a net pension liability of \$452,431 is reflected as long-term debt at June 30, 2019. More detailed information about the District's long-term liabilities is presented in Note 8 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

In fiscal year 2019-2020, revenues and expenses are expected to remain fairly consistent, with the expected decrease in revenue of 9%, and an expected decrease in expenses of 16%. No major changes are expected.

EAST KERN CEMETERY DISTRICT

Management's Discussion and Analysis

June 30, 2019

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions regarding this report or need additional financial information, contact East Kern Cemetery District, 2040 Belshaw St. Mojave, CA or phone 661-824-2778.

EAST KERN CEMETERY DISTRICT

Statement of Net Position

June 30, 2019

	<u>Governmental Activities</u>
Assets	
Current Assets	
Cash & Investments	\$ 755,127
Accounts/Interest Receivable	3,909
Inventory	16,419
Prepaid Items	5,868
Total Current Assets	<u>781,323</u>
Capital Assets	
Capital Assets, net of accumulated depreciation	379,937
Other Assets	
Cash and Investments - Burial Plots and Prepaid Services	<u>229,607</u>
Deferred Outflows of Resources	
Pension Plan Contributions - Note 8	<u>197,234</u>
Total Assets	<u><u>\$ 1,588,101</u></u>
Liabilities	
Current Liabilities	
Accounts Payable	\$ 10,714
Due to Endowment Care Fund	400
Accrued Expenses	11,251
Compensated Absences Payable	17,163
Total Current Liabilities	<u>39,528</u>
Long-term Liabilities	
Net Pension Obligations - Note 8	452,431
Deferred Inflows of Resources:	
Pension Plan Deferrals - Note 8	38,556
Deferred Revenue	229,607
Total Deferred Inflows of Resources	<u>268,163</u>
Total Liabilities	<u>760,122</u>
Net Position	
Investment in Fixed Assets, Net of Related Debt	379,937
Restricted	229,607
Unrestricted	218,435
Total Net Position	<u>827,979</u>
Total Liabilities and Net Position	<u><u>\$ 1,588,101</u></u>

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

EAST KERN CEMETERY DISTRICT

Statement of Activities
For the Year Ended June 30, 2019

	<u>Governmental Activities</u>
Program Expenses	
Governmental Activities-Cemetery Services:	
Personnel Services	\$ 288,819
Materials and Supplies	146,148
Depreciation	<u>45,410</u>
Total Program Expenses	<u>480,377</u>
Program Revenues	
Charges for Services	59,469
Homeowner Property Tax	<u>3,174</u>
Total Program Revenues	<u>62,643</u>
Net Program Expenses	<u>417,734</u>
General Revenues	
Taxes:	
Property Taxes	415,432
Other Income	-
Investment Earnings	<u>12,915</u>
Total General Revenues	<u>428,347</u>
Operating Transfer In - Endowment Care Fund	2,828
Change in Net Position	13,441
Net Position-Beginning of Year	<u>814,538</u>
Net Position-End of Year	<u><u>\$ 827,979</u></u>

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

EAST KERN CEMETERY DISTRICT

Balance Sheet-Governmental Funds

June 30, 2019

	General Funds
Assets	
Cash & Investments	\$ 984,734
Accounts/Interest Receivable	3,909
Inventory	16,419
Prepaid Items	5,868
	<hr/>
Total Assets	\$ 1,010,930
	<hr/>
Liabilities	
Accounts Payable	10,714
Due to Endowment Care Fund	400
Accrued Expenses	11,251
Compensated Absences Payable	17,163
	<hr/>
Total Liabilities	39,528
	<hr/>
Deferred Inflows of Resources	
Deferred Revenue	229,607
	<hr/>
Fund Balances	
Assigned	229,607
Unassigned	512,188
	<hr/>
Total Fund Balances	741,795
	<hr/>
Total Liabilities and Fund Balances	\$ 1,010,930
	<hr/> <hr/>

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

EAST KERN CEMETERY DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances-
Governmental Funds
For the Year Ended June 30, 2019

	General Funds
Revenues	
Property Taxes	\$ 415,432
Intergovernmental Revenues	3,174
Charges for Current Services	59,469
Use of Money & Property	12,915
Total Revenues	490,990
Expenditures	
Cemetery Services:	
Salaries & Benefits	236,896
Services and Supplies	151,648
Capital Outlay	29,374
Total Expenditures	417,918
Excess of Revenues Over Expenditures	73,072
Other Financing Sources (Uses)	
Transfers In	2,828
Transfers Out	-
Total Other Financing Sources (Uses)	2,828
Net Change in Fund Balances	75,900
Fund Balances-June 30, 2018	665,895
Fund Balances-June 30, 2019	\$ 741,795

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

EAST KERN CEMETERY DISTRICT
Reconciliation of the Balance Sheet-Governmental Funds
to the Statement of Net Position
June 30, 2019

	<u>2019</u>
Fund Balances of Governmental Funds	\$ 741,795
Amounts reported for governmental activities in the statement of net position are different because	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the governmental funds.	379,937
Amounts to be provided to pay future pension benefits do not require current resources	<u>(293,753)</u>
Net Position of Governmental Activities	<u>\$ 827,979</u>

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

EAST KERN CEMETERY DISTRICT
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances-Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2019

	2019
Excess of Revenues Over Expenditures of Governmental Funds	\$ 75,900
Amounts reported for governmental activities in the statement of net position are different because:	
Capital outlays is reported in governmental funds 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 capital additions of \$29,374 which did not exceed depreciation of \$45,410.	(16,036)
Deferred outflows of resources are not current assets, therefore, are not reported as expense in the funds statement.	(43,000)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consists of net pension liability.	(4,298)
Deferred outflows of resources are not current liability, therefore, are not reported as expense in the funds statement.	875
	875
Change in Net Position of Governmental Funds	\$ 13,441

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

EAST KERN CEMETERY DISTRICT

Statement of Fiduciary Net Position

Fiduciary Fund

June 30, 2019

	<u>Endowment Care Fund</u>
Assets	
Current Assets	
Cash & Investments	\$ 183,981
Due from General Fund	400
	<hr/>
Total Assets	184,381
	<hr/>
Net Position	
Reserved for Endowment Care	184,381
	<hr/>
Total Net Position	184,381
	<hr/>
Total Liabilities and Net Position	<u>\$ 184,381</u>

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

EAST KERN CEMETERY DISTRICT

Statement of Fiduciary Net Position

Fiduciary Fund

June 30, 2019

	<u>Endowment Care Fund</u>
Additions	
Investment Earnings	\$ 2,827
Endowment Care Collections	4,725
Unrealized Gain	<u>2,225</u>
Total Additions	<u>9,777</u>
Deletions	
Unrealized Loss	<u>-</u>
Changes in Net Postion Prior to Operating Transfer Out	<u>9,777</u>
Operating Transfer Out - Cemetery Fund	<u>(2,827)</u>
Changes in Net Postion	6,950
Net Position - Beginning	<u>177,431</u>
Net Position - Ending	<u>\$ 184,381</u>

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

EAST KERN CEMETERY DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

East Kern Cemetery District (the District) is located in Mojave, California. The District was formed in 1940 as an independent special district to provide and main cemeteries limited to burial of residents of the District, members of the family of a resident who have heretofore purchase a burial plot, or non-residents of the District who are eligible for burial in the District cemetery.

The District accounts for its financial transactions in accordance with the policies and procedures of the State of California – Uniform System of Accounts for Special Districts. The accounting policies of the District conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles in the United States. The following is a summary of significant accounting policies:

A. Description of the Reporting Entity

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity has made by applying the criteria set forth in the U.S. GAAP. The basic- but not the only- criterion for including a potential component unit within the reporting entity is the government body's ability to exercise oversight responsibility. The most significant manifestation of the ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential components units for inclusions or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria the District has no potential component units.

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

Governmental-Wide Financial Statements

The government-wide financial statement is reporting using the economic resources measure focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues, are recognized when earned and expenses are recorded when the liability is incurred, regardless of the timing of the cash flow. Property taxes are recognized as revenues in the year for which they are levied. Grants, entitlements, donations, and similar items are recognized as revenues as soon as all the eligibility requirements imposed by the provider are met.

EAST KERN CEMETERY DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Governmental-Wide Financial Statements (Continued)

The District recognized asset of nonexchange transactions in the period when the underlying transaction occurs, when an enforceable claim has arisen, or when all eligibility requirements are met. Revenues are recognized, on a modified accrual basis, when they are measurable and available. Nonexchange transactions occur when one government provides (or receives) value to (from) another party without receiving (or giving) equal or nearly equal value in return. Various property taxes, grants, entitlements, and most donations are example of nonexchange transactions.

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities, if any. Governmental activities are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Government Fund Financial Statements

The Government Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when measurable and available. All revenues reported in the governmental funds are considered to be available if the revenues are collected within sixty days after year-end. Property taxes and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when a liability is incurred, except for principal and interest on general long-term debt, claims and judgements, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the District incurs an expenditures or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

Fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major

EAST KERN CEMETERY DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Government Fund Financial Statements (Continued)

governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental fund:

- **Cemetery Fund** – This fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for the specific purpose of operating a cemetery District.

The District reports the following fiduciary funds:

- **Endowment Care Fund** – This fund was established in accordance with Section 9000 of the Health and Safety Code to defray the cost of cemetery operations. The District collects an additional amount for each full grave sold. During the fiscal year ended June 30, 2019, these collections totaled \$4,725. Interest/dividends are earned on the principal of the fund and deposited in Morgan Stanley U.S. Government Fund. After all gravesites have been sold, the revenue earned will be expended for the operation of the Cemetery. The principal will remain intact.

C. Budgets and Budgetary Accounting

By State law, the District's Governing Board must adopt a final budget no later than August 1. A public hearing must be conducted to receive comments prior to adoption. These budgets are revised by the District's Governing Board and District Manager during the year to consider unanticipated income and expenditures. It is the final revised budget that is presented in the financial statements.

All budgets were adopted on a basis that materially conforms to generally accepted accounting principles (GAAP).

D. Deposit and Investments

All deposits of the District are made in board-designated official depositories are secured as required by State Law. The District may designate as an official depository any bank or savings and loan association. Also, the District may establish time deposit accounts such as money market accounts and certificates of deposit.

EAST KERN CEMETERY DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Deposit and Investments (continued)

The District recognizes the fair value measurement of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: 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. Dividend income from the mutual funds is recognized on the ex-dividend date. Income from the pooled moneys in the Kern County Investments Funds is allocated to the District based on the District's respective share of total pooled cash and investments.

Net appreciation (depreciation) of the mutual funds is determined by calculating the change in the fair value of investments between the beginning of the year and the end of the year, less purchases of investments at cost, plus sales of investments at fair value. Investment expenses consist of external expenses directly related to the District's investment operations, as well as the internal administrative expenses associated with the District's investment program.

Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

E. Cash and Cash Equivalents

The District considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

F. Allowance for Uncollectible Accounts

For reporting purposes an allowance for doubtful accounts have been established. This account is maintained to estimate the losses that result from the failure or inability of customers to make required payments. There is not allowance for uncollectible accounts at June 30, 2019, as management believes all accounts will be collected.

G. Inventories

Inventory is valued at the lower of cost or net-realizable value. Inventory consists of crypts, liners and vases and is recorded as expenditures, when consumed.

EAST KERN CEMETERY DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Deferred Inflows and Deferred Outflows of Resources

Deferred outflows of resources are a consumption of net assets or net position that is applicable to a future reporting period. Deferred inflows of resources are an acquisition of net asset or net position that is applicable to a future reporting period. Deferred outflows of resources and deferred inflows of resources are recorded in accordance with GASB Statement number 63 and 65.

East Kern Cemetery District collects money from customers who pay in advance for burial plots and prepaid services. Since the revenues is not sued until the time of burial, it is unearned until that time at which it becomes recognized as current year revenue. As of the June 30, 2019, unearned revenue was \$229,607.

I. Capital Assets

In the Government-wide Financial Statements, capital assets that are purchased or constructed are recorded at historical cost. Donated assets are recorded at estimate market value at the time of donation. The District defines capital assets as asset with an individual cost of more than \$500, and an estimate useful life of more than one year. 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 computed using the straight-line method. Capital assets are depreciated on the following basis:

<u>Asset Class</u>	<u>Estimate Useful Lives</u>
Building and Improvements	5-42 years
Equipment	5-10 years
Computer Software	7 years

J. Compensated Absences

The vacation policy of the District provides for the accumulation of up to thirty days earned vacation leave and twelve days earned sick leave with such leave being fully vested when earned. An expense and a liability for vacation pay, sick pay, and salary related payments are accrued as the leave is earned in the financial statements. The compensated absences liability is liquidated using funds to which the liability accrued as the accumulated leave is used. Accumulated unpaid sick leave and vacation leave has been determined to be \$17,163.

EAST KERN CEMETERY DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Net Position

The financial statements utilize a net position presentation. Net position is categorized as follows:

- **Net Investment in Capital Assets** – This component of net position consists of capital assets, net of accumulated depreciation and reduced by any debt outstanding against the acquisitions, construction, or improvement of those assets.
- **Restricted Net Position** – This component of net position represents constraints on resources that are either a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** – This component of net position consists of net position that does not meet the definition of *restricted or net investment in capital assets*.

Certain assets of the District are restricted for use by ordinance or debt covenant and, accordingly, are shown as restricted assets on the accompanying statement of net position. The District uses restricted resources, prior to using unrestricted resources, to pay expenditures meeting the criteria imposed on the use of restricted resources by a third party.

L. Fund Balances – Governmental Funds

Nonspendable Fund Balance- This component of fund balance consists of assets not in spendable form, either because they will never convert to cash (such as prepaid items) or must remain intact pursuant to legal or contractual requirements (such as the principal of a permanent endowment).

- **Nonspendable Inventory-** The portion of fund balance reflecting the value of inventory.
- **Nonspendable Prepaid Items-** The portion of fund balance reflecting the value of prepaid items.

All Other Nonspendable Assets- The portion of fund balance reflecting the value of nonspendable assets not specified above. For example, this object issued for the legal reserve for Certificates of Participation, the long-term portion of notes receivable, or the principle of a permanent endowment.

Restricted Balances- This component of fund balance consists of resources subject to externally imposed and legally enforceable constraints imposed either by external resource provider, e.g., grantors or creditors, or by law through constitutional provisions or enabling legislation. Examples included unspent balances or restricted state and federal grants, and unspent proceeds of general obligation bonds.

EAST KERN CEMETERY DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Fund Balances – Governmental Funds (continued)

Committed Fund Balance- This component of fund balance consists of resources whose use is constrained by limitations self-imposed by the District through formal action of its highest level of decision-making authority. The constraint can be modified or removed only through the same process by which they were imposed. The action imposing the constraint must be made by the end of the reporting period. The actual amounts may be determined at a later date, prior to the issuance of the financial statements.

Assigned Fund Balance-This component of fund balance consists of resources that are intended to be used for specific purposes, but for which the constraints do not meet the criteria to be reported as restricted or committed. Intent may be established either by the District's highest level of decision-making or by a designated body or official. Constraints giving rise to assigned fund balance may be imposed at any time before the financial statements are issued and may be modified or removed by a process less formal than is required for committed fund balance.

Unassigned Fund Balance- This represents the portion of fund balance not classified as nonspendable, restricted, committed, or assigned. For budgetary purposes, this account represents the excess of estimated revenue and estimated other financial sources over appropriations and estimated other financing uses.

Spending Order Policy- When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditures is incurred for which committed, assigned, or unassigned fund balances are available, the District consider amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assigned actions.

M. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfer between funds. 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 or expenses. Reimbursements occur when one funds incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfer. Transfers in and transfer out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

EAST KERN CEMETERY DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

O. Property Taxes

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on November 15 and March 15. Unsecured property taxes are payable in one installment on or before August 31. Property taxes are billed and collected for the District by Kern County. The District does not receive any property tax revenues directly; however delinquent special assessments are turned over to the counties for collections with regular delinquent property tax assessments.

P. Recent Pronouncements

In June 2017, the GASB issued Statement No 87, "Leases". The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for lease by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about government's leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The District is evaluating the impact of this standard on the financial statements.

EAST KERN CEMETERY DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 2 – CASH AND INVESTMENTS

Unrestricted cash and investments as of June 30, 2019, consists of the following:

<u>Cemetery Fund</u>	
Cash on Hand and in Banks	\$ 8,824
Pooled Investments- Kern County Treasury	<u>975,911</u>
Total	<u>\$ 984,735</u>

Restricted cash and investments as of June 30, 2019, consists of the following:

<u>Endowment Care Fund</u>	
Morgan Stanley- U.S.	
Government Securities Trust	\$ 92,442
Pooled Investments- Kern County Treasury	<u>91,420</u>
Total	<u>\$ 183,862</u>

EAST KERN CEMETERY DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 2 – CASH AND INVESTMENTS (Continued)

Investment Authorized by the California Government Code and the District's Investment Policy

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Minimum Quality Requirements
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
State Obligations - CA And Others	5 years	None	None
CA Local Agency Obligations	5 years	None	None
U.S Agency Obligations	5 years	None	None
Bankers' Acceptances	180 days	40%	None
Commercial Paper - Pooled Funds	270 days	40% of the agency's money	Highest letter and member rating by a NRSRO
Commercial Paper - Non-Pooled Funds	270 days	25% of the agency's money	Highest letter and member rating by a NRSRO
Negotiable Certificates of Deposit	5 years	30%	None
Non-negotiable Certificates of Deposits	5 years	None	None
Placement Service Deposits	5 years	30% (inclusive of placement service CDs)	None
Placement Service Certificates of Deposit	5 years	30% (combine with placement service deposits)	None
Repurchase Agreements	1 year		
Reverse Repurchase Agreements and Securities	92 days	20% of the base value of the portfolio	None
Lending Agreements Medium-Term Notes	5 years	30%	"A" Rating
Mutual Fund and Money Market Mutual Funds	N/A	20%	Multiple
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass-Through Securities	5 years	20%	"AA" Rating
County Pooled Investment Funds	N/A	None	None
Joint Powers Authority Pool	N/A	None	Multiple
Local Agency Investment (LAIF)	N/A	None	None
Volunteer Investment Program Fund	N/A	None	None
Supranational Obligations	5 years	30%	"AA" Rating

EAST KERN CEMETERY DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 2 – CASH AND INVESTMENTS (Continued)

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 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. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. 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 the Kern County Investment Pool.

The California Government Code and the District’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institutions secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool help by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. None of the District’s deposits with financial institutions were in excess of federal depository insurance limits of \$250,000.

Investment Measured at Fair Value

Investment by Fair Value Level	6/30/2019	Quoted Prices in	Significant Other	Significant
		Active Markets for Identical Assets (Level 1)	Oberservable Inputs (Level 2)	Unoberservable Inputs (Level 3)
U.S. Government Securities	\$ 92,442	\$ -	\$ 92,442	\$ -
Total	\$ 92,442	\$ -	\$ 92,442	\$ -

Investment Measured at Net Asset Value (NAV)

Pooled Investments -	
Kern County Investment Pool	\$ 1,067,331
Total Investment Measured at the NAV	1,067,331
Total Investment Measured at the NAV	\$ 1,159,773

EAST KERN CEMETERY DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 2 – CASH AND INVESTMENTS (Continued)

Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

The valuation method for investments measured at the net assets value (NAV) per share (or its equivalent) is presented in the following table:

Investment in Kern County Investment Pool

<u>Investment Measured at NAV</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if Currently eligible)</u>	<u>Redemption Notice Period</u>
Pooled Investment - Kern County Investment Pool	\$ 1,067,331	\$ -	Daily	1 Day
Total Measured at NAV	<u>\$ 1,067,331</u>			

The District is a voluntary participation in the Kern County Investment Pool that is regulated by the California Government Code under the oversight of the Treasurer of the County of Kern. The carrying amount of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by Kern County for the entire portfolio (in relation to the amortized cost of that portfolio). There are no limitations or restrictions on withdrawals and the fund's authority does not impose liquidity fees or redemption gates.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rate 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 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 matures or comes close to maturity evenly over time as necessary to provide requirements for cash flow and liquidity needed for operations. Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investment by maturity date.

EAST KERN CEMETERY DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 2 – CASH AND INVESTMENTS (Continued)

Invest at June 30, 2019, consisted of the following:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Remaining Maturity (in Months)</u>		
			<u>12 Months or Less</u>	<u>13 to 36 Months</u>	<u>37 to 60 Months</u>
Cash on Hand and in Banks	\$ 8,824	\$ 8,824	\$ 8,824	\$ -	\$ -
Kern County Investment Pool - Unrestricted Cemetery Fund	975,911	975,911	975,911	-	-
Morgan Stanley - Restricted Endowment Care Fund	92,442	92,442	92,442	-	-
Kern County Investment Pool - Restricted Endowment Care Fund	<u>91,420</u>	<u>91,420</u>	<u>91,420</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,168,597</u>	<u>\$ 1,168,597</u>	<u>\$ 1,168,597</u>	<u>\$ -</u>	<u>\$ -</u>

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 a 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 year-end for each investment type.

Credit rating as of June 30, 2019, consisted of the following:

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Exempt from Disclosure</u>	<u>Ratings AAA</u>
Cash on Hand and in Banks	\$ 8,824	N/A	\$ 8,824	-
Kern County Investment Pool - Unrestricted Cemetery Fund	975,911	N/A	975,911	-
Morgan Stanley - Restricted Endowment Care Fund	92,442	N/A	92,442	-
Kern County Investment Pool - Restricted Endowment Care Fund	<u>91,420</u>	N/A	<u>91,420</u>	-
Total	<u>\$ 1,168,597</u>		<u>\$ 1,168,597</u>	-

EAST KERN CEMETERY DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2019 consisted of the following:

Accounts Receivable	\$ 3,144
Interest Receivable	765
Total Accounts Receivable	\$ 3,909

NOTE 4 - CAPITAL ASSETS

Capital asset activity of the year ended June 30, 2019 was as follows:

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
Governmental Activities:				
Capital Assets not being depreciated:				
Land	\$ 10	\$ -	\$ -	\$ 10
Total Capital Asset not being depreciated	10	-	-	10
Capital Assets being depreciated:				
Building and Improvements	592,086	20,219	-	612,305
Equipment	273,089	9,154	-	282,243
Computer Software	14,088	-	-	14,088
Total Capital Asset being depreciated	879,263	29,373	-	908,636
Less accumulated depreciation for:				
Building and Improvements	(286,830)	(23,893)	-	(310,723)
Equipment	(190,933)	(19,888)	-	(210,821)
Computer Software	(5,536)	(1,629)	-	(7,165)
Total Accumulated Depreciation	(483,299)	(45,410)	-	(528,709)
Total Capital Assets being depreciated, net	395,964	(16,037)	-	379,927
Government activities capital assets, net	\$ 395,974	\$ (16,037)	\$ -	\$ 379,937

Depreciation expense for the year ended June 30, 2019 was \$45,410 and has been recorded in cemetery services in the statement of activities.

EAST KERN CEMETERY DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 5 – INTERFUND TRANSACTIONS

Due From/Due to Other Funds – There were no individual fund interfund receivable and payable balances at June 30, 2019.

Interfund Transfers – Consist of required transfers of restricted revenues from the fund receiving the revenue to the funds through which the resources are to be expended. Interfund transfers for the 2018/2019 fiscal year were as follows:

<u>Fund</u>	<u>Interfund Transfer In</u>	<u>Interfund Transfer Out</u>
Cemetery Fund	\$ 2,828	\$ -
Endowment Care Fund	-	2,828
Total	<u>\$ 2,828</u>	<u>\$ 2,828</u>

NOTE 6 – CHANGES IN LONG-TERM DEBT

A summary of changes in long-term debt for the year ended June 30, 2019, is presented below:

	Balance				Balance	Due
Employment Benefit Obligations:	July 01, 2018	Additions	Deletions	June 30, 2019	Within	One Year
Net Pension Liability	<u>\$ 448,133</u>	<u>\$ 4,298</u>	<u>\$ -</u>	<u>\$ 452,431</u>	<u>\$ -</u>	
Total Long-Term Obligation	<u>\$ 448,133</u>	<u>\$ 4,298</u>	<u>\$ -</u>	<u>\$ 452,431</u>	<u>\$ -</u>	

NOTE 7 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The following are the excess of expenditures over appropriations as of June 30, 2019.

Personnel Services:	
Salaries and Wages	\$ 11,953
Materials and Supplies:	
Repair and Maintenance	337
Fuel	37
Office Supplies and Postage	2,657
Utilities and Telephone	3,815

EAST KERN CEMETERY DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 8 - EMPLOYEE RETIREMENT SYSTEMS

1. General Information About the Pension Plans

A. Plan Description

The Kern County Employee's Retirement Association (KCERA) was established on January 1, 1945 by the County of Kern Board of Supervisors under the provisions of the County Employee's Retirement Law of 1937 (CERL). KCERA is a cost-sharing, multiple-employer defined benefit plan (the Plan) covering all permanent employees of the County of Kern and of the following agencies: Berrenda Mesa Water District, Buttonwillow Recreation and Park District, East Kern Cemetery District, Inyokern Community Services District, Kern County Water Agency, Kern Mosquito and Vector Control District, North of the River Sanitation District, San Joaquin Valley United Air Pollution Control District, Shafer Recreation and Park District, West Side Cemetery District, West Side Mosquito and Vector Control District, West Side Recreation and Park District, and Kern County Superior Court. The plan is administered by the Kern County Board of Retirement, which consists of nine members and two alternate members.

B. Benefits Provided

Pension Benefits

All regular, full-time employees of the County of Kern or contracting District's, who work 50% or more of the regular standard hours required become members of KCERA effective on the first day of the payroll period following the date of hire. Safety membership included those in active law enforcement, fire suppression, criminal investigation, detention and probation.

General Tier I and Tier II members are eligible to retire at age 70 regardless of service or at age 50 with 10 or more years of retirement service credit. A member with 30 years of service is eligible to retire regardless of age. General Tier III members are eligible to retire at age 70 regardless of service or at age 52 with 5 or more years of retirement service credit. Safety members are eligible to retire at age of 70 regardless of service or at 50 with 10 or more years of retirement service credit. A member with 20 years of service is eligible to retire regardless of age.

The retirement benefits the member will receive is based on age at retirement, final average compensation (FAC), years of retirement service credit and benefit tier.

General member benefits for Tier I and Tier II are calculated pursuant to California Gov. Code Section 1676.17 and 31676.01, respectively. The monthly allowance is equal to 1/50th of FAC times years of accrued retirement service credit times an age factor from Section 31676.17 (Tier I), or 1/90th of FAC times years of accrued retirement service credit times an age factor from Section 31676.01 (Tier II). General Tier III member benefits are calculated pursuant to the provisions found in California Government Code Section 7522.20(a).

EAST KERN CEMETERY DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 8 - EMPLOYEE RETIREMENT SYSTEMS

B. Benefits Provided (Continued)

The monthly allowance is equal to the FAC multiplied by years of accrued retirement credit multiplied by an age factor from Section 7522.20(a).

Safety member benefits for Tier I and Tier II are calculated pursuant to California Gov. Code Section 31664.1 and 31664, respectively. The monthly allowance is equal to 3% of FAC times years of accrued retirement service credit times an age factor from Section 31664.1 (Tier I), or 1/50th of FAC times years of accrued retirement service credit times an age factor from Section 31664 (Tier II).

For general and safety members in Tiers I and Tier II, the maximum monthly retirement allowance is 100% of FAC. For General Tier III members, there is no limit on the maximum monthly allowance relative to FAC.

The maximum amount of "compensated earnable" that can be considered for 2017 for members with membership dates on or after July 1, 1996 but before January 1, 2013 is \$275,000. For General Tier III members who joined KCERA on or after January 1, 2013, the maximum "pensionable compensation" that can be considered for 2017 is \$121,388 for those enrolled in Social Security. These limits are adjusted on an annual basis. Member are exempt from paying member contributions and employers are exempt from paying employer contributions on compensation in excess of the annual cap.

FAC consist of the highest 12 consecutive months of compensation earnable for General Tier I, General Tier IIA, Safety Tier I and Safety Tier IIA members. FAC consists of the highest 36 consecutive months of pensionable compensation for General Tier IIB, General Tier III and Safety Tier IIB members.

The members may elect an unmodified retirement allowance or choose to have the allowance modified by one of the four options. The unmodified option provides the highest monthly benefit and a 60% continuance to an eligible surviving spouse or domestic partner when the member dies. An eligible spouse or partner is someone married to or registered with the member for at least one year prior to the effective retirement date. Certain surviving spouses or partners may also be eligible for a benefit continuance if the marriage or partnership occurred at least two years prior to the date of death and if the surviving spouse or partner is age 55 or older as of the date of death. Retirement allowance options are irrevocable once elected.

EAST KERN CEMETERY DISTRICT
Notes to Financial Statements
June 30, 2019

NOTE 8 - EMPLOYEE RETIREMENT SYSTEMS (Continued)

B. Benefits Provided (continued)

Death Benefits

An active member's beneficiary is entitled to receive death benefits, which consist of accumulated contributions plus interest, and one month's salary for each full year of service, up to a maximum of six months of salary.

If a member is vest and the death is not the result of a job-caused injury or disease, the spouse or registered domestic partner will be entitled to receive a lifetime monthly allowance equal to 60% of the retirement allowance to which they would have been entitled if they had retired with a nonservice-connected disability on the date of the member's death. If there is no eligible spouse or partner, the same choice is given to the member's minor children who are under the age of 18 (continuing to age 22 if enrolled full-time in an accredited school).

If a member dies after retirement, a death benefit of \$5,000 is payable to the designated beneficiary(ies) or the estate.

If the member retired with a service-connected disability, the spouse, registered domestic partner or minor children will receive a monthly continuance equal to 100% of the member's benefit.

Disability Benefits

A member with five years of service, regardless of age, who becomes permanently incapacitated from the performance of duty will be eligible for a nonservice-connected disability retirement. Any member who becomes permanently incapacitated from the performance of duty as a result of an injury or disease arising out of and in the course of employment is eligible for a service-connected disability, regardless of service length or age.

Cost-of-Living Adjustments

An annual cost-of-living adjustment (COLA) of up to 2.0% was adopted for all retirees and continuance beneficiaries as of April 1, 1973. An additional 0.5% COLA was granted by the Ventura Settlement as of April 1, 2002, resulting in maximum COA of 2.5% depending on the rate of inflation.

Supplemental Benefits

The Board of Retirement and the Board of Supervisors adopted Government Code Section 31618 in 1984, which established the Supplemental Retiree Benefit Reserve (SRBR) for KCERA. The SRBR is used only for the benefit of future and current retired members and their beneficiaries. Benefits provided by the SRBR are determined by the Board of Retirement and are not guaranteed or vested. The SRBR currently provides for 82% purchasing power protection and a \$5,000 death benefit.

EAST KERN CEMETERY DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 8 - EMPLOYEE RETIREMENT SYSTEMS (Continued)

C. Contributions

As a condition of participation under the provisions of the CERL, members are required to contribute to KCERA a percentage of their salaries. Members contributions rates for fiscal year 2018 ranged from 4.45% to 18.48% and were applied to the member's base pay plus pensionable special pays. For general members hired prior to 2013, contribution rates were determined by benefit tier and KCERA entry age. For safety members hired prior to 2013, contribution rates were determined by benefit Tier and each safety-represented bargaining unit's applicable MOU. Some safety members rates were based on age of entry, whereas other safety members contribute at a flat, average rate. The contribution rates of general and safety members who first joined KCERA on or after January 1, 2013 are at least 50% of the normal cost rate. Furthermore, the rate of members integrated with Social Security is reduced by one-third on the first \$161 of bi-weekly salary.

Interest is credited to member contributions semi-annually on June 30 and December 31, in accordance with Article 5.5 of the CERL. Member contributions and credited interest are refundable upon termination of membership.

Each year, an actuarial valuation is performed for the purpose of determining the funded ration of the retirement plan and the employer contributions that are necessary to pay benefits accruing to KCERA members that were not otherwise funded by member contributions or investment earnings. The employer contribution rates are actuarially determined by using the Entry Age Normal Actuarial Cost Method. Employer rates include the "normal cost" and an annual amortization payment toward the Plan's unfunded actuarial accrued liability. Contributions rates determined in each actuarial valuation (as of June 30) apply to the fiscal year beginning 12 months after the valuation date. Employer rates for fiscal year 2018 ranged from 28.70% to 63.48% of covered payroll.

D. Contribution Recognized

For the year ended June 30, 2019, the contributions recognized as part of pension expense for the Plan was as follows;

	<u>KCERA</u>
Contributions- Employer	<u>\$ 53,266</u>
Total Pension Expense	<u>\$ 53,266</u>

EAST KERN CEMETERY DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 8 - EMPLOYEE RETIREMENT SYSTEMS (Continued)

2. Pension Liabilities, Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

Pension Expense - June 30, 2019

	<u>2019</u>
Total Service Costs	\$ 23,954
Interest on TPL	87,383
Expensed portion of current-period changes in proportion and differences between employer's contributions and proportionate share of contribution	1,312
Expensed portion of current-period changes	6,024
Expensed portion of current-period differences between expected and actual experience in the TPL	(3,065)
Expense portion of current-period changes of assumptions or other inputs	-
Member Contributions	(10,191)
Projected earnings on plan investments	(55,547)
Expenses portion of current-period differences between actual and projected earnings on plan investments	718
Administrative Expense	993
Other	-
Recognition of beginng of year deferred outflows of resources as pension expense	33,777
Recognition of beginng of year deferred inflows of resources as pension expense	(29,420)
Net amortization of deferred amounts from changes in proportion and differences between employer's contributions and proportionate share of contributions.	<u>38,923</u>
 Total Pension Expense Recognized	 <u><u>\$ 94,861</u></u>

As of June 30, 2019, the District reported net pension liabilities for its proportionate share of the net pension liability of the plan as follows:

	<u>Proportionate Share of Net Pension Liability</u>
KCERA	<u>\$ 452,431</u>
Total Net Pension Liability	<u><u>\$ 452,431</u></u>

EAST KERN CEMETERY DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 8 - EMPLOYEE RETIREMENT SYSTEMS (Continued)

2. Pension Liabilities, Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2018, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2017 using standard update procedures. The District's proportion of the net pension liability was based on a projection of a District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the net pension liability for the Plan as of June 30, 2017 and 2018 was as follows:

	<u>KCERA</u>
Proportion - June 30, 2017	0.019%
Proportion - June 30, 2018	0.019%
Change-Increase (Decrease)	0.000%

For the year ended June 30, 2019, the District recognized pension expense of \$94,861. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 53,266	\$ -
Changes in proportion and differences between employer's contributions and proportionate share of contributions	104,156	193
Difference between actual and expected earnings experience in the Total Pension Liability	-	38,363
Changes of Assumptions or other inputs	25,225	-
Net excess of projected over actual earnings on pension plan investments (if any)	14,587	-
Total Deferred Outflows of Resources	\$ 197,234	\$ 38,556

EAST KERN CEMETERY DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 8 - EMPLOYEE RETIREMENT SYSTEMS (Continued)

2. Pension Liabilities, Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

The amount reported as deferred outflows or resources related to contributions subsequent to the measurement date, of \$53,266, will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

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

<u>Measurement Period Ended June 30:</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2020	63,613
2021	55,391
2022	30,878
2023	8,936
2024	-140
Thereafter	0

B. Actuarial Assumptions

The total pension liability as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2017. The actuarial assumptions used were based on the results of an experience study for the period from July 1, 2013 through June 30, 2016. The following actuarial assumptions were applied to all periods included in the measurement:

Inflation	3.00%
Salary Increase	4.00% to 9.00% varying by service, including inflation.
Investment rate of return	7.25%, net of pension plan investment expense, including inflation.
Administrative Expenses	0.90% of payroll allocated to both the employer and the member based on the components of the total average contribution rate (before expenses) for the employer and the member.
Other Assumptions	Same as those used in the June 30, 2018 funding valuation. These assumptions were developed in the analysis of actuarial experience study for the period July 1, 2013 through June 30, 2016.

EAST KERN CEMETERY DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 8 - EMPLOYEE RETIREMENT SYSTEMS (Continued)

**2. Pension Liabilities, Pension Expense and Deferred Outflows/Inflows of Resources
Related to Pensions (continued)**

The Entry Age Normal Actuarial Cost method used in KCERA'S annual actuarial valuation has also been applied in measuring the service cost and TPL with one exception. For purposes of measuring the service cost and TPL, KCERA has reflected the same plan provisions used in determining the member's actuarial present value of projected benefits. This is different from the version of this method applied in KCERA's annual funding valuation, where the normal cost and actuarial accrued liability as if the current benefits accrual rate had always been in effect.

The long-term expected rate of return on pension plan investments was determine using a building-nock method in which expensed future real rate of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rate of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap U.S. Equity	15%	5.61%
Small/Mid Cap U.S. Equity	4%	6.37%
Global Equity	6%	6.50%
Developed International Equity	8%	6.90%
Emerging Markets Equity	4%	9.28%
U.S Core Fixed Income	19%	1.06%
High Yield/Speciality Bonds	6%	3.65%
Emerging Markets Debt	4%	3.85%
Core Real Estate	5%	4.37%
Value Added Real Estate	5%	6.00%
Commodities	4%	3.76%
Hedge Funds	10%	4.70%
Private Equity	5%	8.70%
Private Credit	5%	5.10%
Total	<u>100%</u>	

EAST KERN CEMETERY DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 8 - EMPLOYEE RETIREMENT SYSTEMS (Continued)

**2. Pension Liabilities, Pension Expense and Deferred Outflows/Inflows of Resources
Related to Pensions (continued)**

Discount Rate

The discount rates used to measure the total pension liability was 7.25% as of June 30, 2018 and 2017. The projection of cash flows used to determine the discount rates assumed contributions would be made at the current contribution rate and that employer contributions would be made at rates equal to the actuarially determined contributions rates.

For this purpose, only employees and employer contributions intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions intended to fund the service costs for future plan member and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments for current plan members. Therefore, the longer-term expected rate of return on pension plan investments was applied all period of projected benefit payments to determine the total pension liability as of June 30, 2019.

The discount rate assumptions have been developed without taking into consideration any impact of the 50/50 allocation of future excess earnings between the retirement and SRBR asset pools.

	Discount Rate - 1% 6.25%	Current Discount Rate 7.250%	Discount Rate + 1% 8.25%
	<hr/>	<hr/>	<hr/>
Plan's Net Pension Liability/(Assets)	\$ 620,924	\$ 452,431	\$ 313,984

EAST KERN CEMETERY DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 9 – RISK MANAGEMENT

The District is exposed to various risk of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year ended June 30, 2019, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for any of the past three fiscal years.

NOTE 10 – COMPLIANCE AND ACCOUNTABILITY

A. Finance-Related Legal and Contractual Provisions.

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Item</u>
None reported	Not applicable

B. Deficit Fund Balance or Fund Net Pension of Individual Funds

Following are funds having deficit fund balances or fund net position at year-end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

NOTE 11 – PRIOR PERIOD ADJUSTMENT

There are no prior period adjustments.

NOTE 12 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 11, 2019, the date these financial statements were available for release.

EAST KERN CEMETERY DISTRICT
Budgetary Comparison Schedule
General fund
For the Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues				
General Property Taxes	\$ 420,000	\$ 420,000	\$ 418,606	\$ (1,394)
Fees and Services:				
Cemetery lots	22,000	22,000	59,469	37,469
Interest and Dividends	500	500	12,915	12,415
Total Revenue	<u>442,500</u>	<u>442,500</u>	<u>490,990</u>	<u>48,490</u>
Expenditures				
Salaries & Wages	131,000	131,000	142,953	(11,953)
Employee Benefits	95,800	95,800	93,944	1,856
Contracted Services	21,500	21,500	16,953	4,547
Insurance	15,100	15,100	14,324	776
Repairs and Maintenance	26,700	26,700	27,037	(337)
Fuel	3,700	3,700	3,737	(37)
Vaults and Sectional Boxes Purchased	5,000	5,000	5,524	(524)
Office Supplies and Postage	28,820	28,820	31,477	(2,657)
Utilities and Telephone	48,780	48,780	52,595	(3,815)
Capital Outlay	140,000	140,000	29,374	110,626
Total Expenditures	<u>516,400</u>	<u>516,400</u>	<u>417,918</u>	<u>98,482</u>
Excess of Revenues Over Expenditures	<u>(73,900)</u>	<u>(73,900)</u>	<u>73,072</u>	<u>146,972</u>
Other Financing Sources (Uses)				
Operating Transfers In	50,000	50,000	2,828	(47,172)
Operating Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	<u>50,000</u>	<u>50,000</u>	<u>2,828</u>	<u>(47,172)</u>
Net Change in Fund Balances	<u>(23,900)</u>	<u>(23,900)</u>	<u>75,900</u>	<u>99,800</u>
Fund Balances-June 30, 2018			<u>665,895</u>	
Fund Balances-June 30, 2019			<u>\$ 741,795</u>	

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

EAST KERN CEMETERY DISTRICT
Notes to Required Supplementary Information
June 30, 2019

BUDGETARY BASIS OF ACCOUNTING

The District operates under the general laws of the State of California and annually adopts a budget to be effective July 1 of the ensuing fiscal year. Formal budgetary integration is employed as a management control device during the year for all governmental fund types. Unused appropriations for the budgeted funds lapse at the end of the fiscal year. Budgets are adopted on a modified accrual basis. Expenditures in excess of budgeted amounts are approved individually by the Board.

EAST KERN CEMETERY DISTRICT
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
KERN COUNTY EMPLOYEE'S RETIREMENT ASSOCIATION PENSION PLAN
LAST TEN FISCAL YEARS(1)

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
District's proportion of the net pension liability	0.019%	0.019%	0.015%	0.011%	0.010%	0.010%
District's proportionate share of the net pension liability	\$ 452,431	\$ 448,133	\$ 355,569	\$ 231,931	\$ 207,281	\$ 220,750
District's covered-employee payroll	\$ 118,685	\$ 112,019	\$ 94,080	\$ 67,647	\$ 66,341	\$ 66,356
District's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	381.200%	400.050%	377.940%	342.850%	312.450%	332.680%
KCERA fiduciary net position as a percentage of the total pension liability	59.220%	57.900%	57.150%	59.250%	60.660%	55.640%

(1) The amounts presented for each fiscal year were determined as of June 30. Data for fiscal years ended June 30, 2008 through June 30, 2013 is not available in a comparable format.

**EAST KERN CEMETERY DISTRICT
SCHEDULE OF CONTRIBUTIONS
KERN COUNTY EMPLOYEE'S RETIREMENT ASSOCIATION PENSION PLAN
LAST TEN FISCAL YEARS(1)**

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Contractually required contribution	\$ 53,266	\$ 44,229	\$ 37,107	\$ 27,509	\$ 26,283	\$ 26,728
Contribution in relation to the contractually required contributinos	<u>\$ (53,266)</u>	<u>\$ (44,229)</u>	<u>\$ (37,107)</u>	<u>\$ (27,509)</u>	<u>\$ (26,283)</u>	<u>\$ (26,728)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District covered-employee payroll	\$ 118,685	\$ 112,019	\$ 94,080	\$ 67,647	\$ 66,341	\$ 66,356
Contribution as a percentage of covered-employee payroll	44.880%	39.483%	39.442%	40.666%	39.618%	40.280%

(1) The amounts presented for each fiscal year were determined as of June 30. Data for fiscal years ended June 30, 2008 through June 30, 2013 is not available in a comparable format.