

**ELSINORE VALLEY
CEMETERY DISTRICT
AUDIT REPORT
For the Fiscal Year Ended
June 30, 2016**



ELSINORE VALLEY CEMETERY DISTRICT

For the Fiscal Year Ended June 30, 2016

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Financial Section

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Elsinore Valley Cemetery District
Lake Elsinore, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Elsinore Valley Cemetery District as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Elsinore Valley Cemetery District, as of June 30, 2016, and the respective changes in financial position 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 that the management's discussion and analysis on pages 3 through 6 and budgetary comparison information on page 20 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a separate report dated February 3, 2017, on our consideration of the 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.



Murrieta, California
February 3, 2017

ELSINORE VALLEY CEMETERY DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2016

Management's Discussion and Analysis (MD&A) offers readers of Elsinore Valley Cemetery District's financial statements a narrative overview of the District's financial activities for the fiscal year ended June 30, 2016. This MD&A presents financial highlights, an overview of the accompanying financial statements, an analysis of net position and results of operations, a current-to prior year analysis, a discussion on restrictions, commitments and limitations, and a discussion of significant activity involving capital assets and long-term debt. Please read in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- District's net position increased by approximately 5.8% compared to the prior year.
- The District had an operating gain of \$292,184, as compared to an operating gain of \$261,908 in 2014-2015.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the District's financial statements. The District's basic financial statements reflect the combined results of the Operating and Capital Programs and include three components: (1) Statement of Net Position; (2) Statements of Revenues, Expenses, and Changes in Net Position; and (3) Notes to the Financial Statements.

The financial statements accompanying this MD&A present the net position and results of operations during the fiscal year ending June 30, 2016. These financial statements have been prepared using the accrual basis of accounting, which is similar to the accounting basis used by for-profit entities. Each financial statement is identified and defined in this section, and analyzed in subsequent sections of this MD&A.

REQUIRED FINANCIAL STATEMENTS

Statement of Net Position

The Statement of Net Position presents information on the District's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. However, other factors such as changes in economic conditions, population growth, zoning, and new or changed legislation or regulations also need to be considered when establishing financial position. Assets and deferred outflows of resources exceed liabilities and deferred inflow of resources, resulting in a net position of \$5,343,929 as of June 30, 2016.

Statements of Revenues, Expenses, and Changes in Net Position

The Statements of Revenues, Expenses, and Changes in Net Position present information showing how the District's net position changed during the fiscal year. All of the year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the results of the District's operations for the year and can be used to determine if the District has successfully recovered all of its costs through user fees and other charges. Operating revenues and expenses are related to the District's core activities (sale of cemetery plots and burial services). Non-operating revenues and expenses are not directly related to the core activities of the District (e.g. interest income, interest expense, property taxes, gain or loss on sale of assets). For the fiscal year ended June 30, 2016 net position increased by \$292,184.

ELSINORE VALLEY CEMETERY DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2016

REQUIRED FINANCIAL STATEMENTS (continued)

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 keep track of specific sources of funding and spending on particular programs. Some funds are required by State law and by grantor requirements.

Combined Reporting

For special purpose governments engaged in a single governmental program, the fund financial statements and the government-wide statements may be combined using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column on the face of the financial statements rather than in an accompanying schedule. The District has elected to report its financial statements in this format.

FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION

Analysis of Net Position

Table A-1: Condensed Statement of Net Position

	<u>2015-2016</u>	<u>* 2014-2015</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Assets:				
Current and Other Assets	\$ 4,336,630	\$ 4,005,052	\$ 331,578	8%
Capital Assets, Net of Depreciation	1,055,146	1,103,469	(48,323)	-4%
Total Assets	<u>5,391,776</u>	<u>5,108,521</u>	<u>283,255</u>	<u>6%</u>
Current Liabilities	<u>47,847</u>	<u>56,776</u>	<u>(8,929)</u>	<u>-16%</u>
Net Position:				
Net Investment in Capital Assets	1,055,146	1,103,469	(48,323)	-4%
Restricted	622,623	587,768	34,855	6%
Unrestricted	<u>3,666,160</u>	<u>3,360,508</u>	<u>305,652</u>	<u>9%</u>
Total Net Position	<u>\$ 5,343,929</u>	<u>\$ 5,051,745</u>	<u>\$ 292,184</u>	<u>6%</u>

*As restated

Net position increased by \$292,184 from fiscal year 2014-2015 to fiscal year 2015-2016. The restricted assets increased because the total of the endowment fees collected and the increase in fair value of investments exceeded capital outlay expenditures. The Endowment Care Fund is restricted as it is not available for current use. Unrestricted assets increased because the District's General Fund revenues exceeded its expenses for the fiscal year 2015-2016.

ELSINORE VALLEY CEMETERY DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2016

FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION (continued)

Analysis of Revenues and Expenses

Table A-2: Condensed Statements of Revenues, Expenses, and Changes in Net Position

	<u>2015-2016</u>	<u>2014-2015</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Operating Revenues	\$ 61,970	\$ 56,580	\$ 5,390	10%
Other Revenues	889,438	801,216	88,222	11%
Total Revenues	<u>951,408</u>	<u>857,796</u>	<u>93,612</u>	<u>11%</u>
Depreciation Expense	69,046	53,385	15,661	29%
Operating Expense	<u>590,178</u>	<u>542,503</u>	<u>47,675</u>	<u>9%</u>
Total Expenses	<u>659,224</u>	<u>595,888</u>	<u>63,336</u>	<u>11%</u>
Excess Revenues	292,184	261,908	30,276	12%
Net Position, Beginning*	<u>5,051,745</u>	<u>4,789,837</u>	<u>261,908</u>	<u>5%</u>
Net Position, Ending	<u>\$ 5,343,929</u>	<u>\$ 5,051,745</u>	<u>\$ 292,184</u>	<u>6%</u>

*As restated

While the Statement of Net Position shows the change in financial position, the Statements of Revenues, Expenses and Changes in Net Position provides answers to the nature and source of these changes. The main factors in the change in net position is increased revenue from service fees and charges.

CAPITAL ASSETS

Net capital assets decreased by \$48,323 from the prior year, contributing towards the ending balance of \$1,055,146. Work in progress increased by \$20,723, current year depreciation was equal to \$69,046. There were no capital assets disposed of during the year.

ELSINORE VALLEY CEMETERY DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2016

ANALYSIS OF INDIVIDUAL DISTRICT FUNDS

General Operating Fund

Total revenues and other financing sources for the year increased by \$93,612 or 11%.

- Service revenue increased by 28% due to an increase in sales.
- Property tax revenues increased by 8% due to the county redefining the District's boundaries.

Total expenditures for the fiscal year decreased by \$29,585 or 5%. This change is mostly due to an increase in employee salaries and benefits offset by large decreases in capital outlay. Total revenues and other financing sources over expenditures for the year was \$305,652.

Endowment Care Fund

The Endowment Care Fund increased by \$34,855 or 6% over the prior year. The principal portion of this fund is restricted and cannot be used for general operations. Thus, this fund will increase annually. The District can use the investment income portion of the fund, but has elected to allow the fund to grow with the investment income included.

FACTORS AFFECTING CURRENT FINANCIAL POSITION

The District anticipates that the General Fund revenues and expenses for fiscal year 2016-17 will be about the same as fiscal year 2015-16. This is reflected in the General Fund budget for the next fiscal year. The District's main goals for fiscal year 2016-17 include planning for the construction of an on-site chapel and a new cemetery office.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our Board of Trustees, citizens, customers, taxpayers, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives and the stewardship of the facilities it owns and operates. If you have questions about this report or need additional information, please contact the Elsinore Valley Cemetery District, 18170 Collier Avenue, Lake Elsinore, California 92530.

ELSINORE VALLEY CEMETERY DISTRICT*Governmental Funds Balance Sheet / Statement of Net Position**June 30, 2016*

	<u>General Fund</u>	<u>Endowment Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS					
Cash and cash equivalents	\$ 933,141	\$ 66,939	\$ 1,000,080	\$ -	\$ 1,000,080
Property taxes and receivable	14,283	-	14,283	-	14,283
Interest receivable	1,165	38	1,203	-	1,203
Investments	2,765,418	555,646	3,321,064	-	3,321,064
Capital assets, net of accumulated depreciation	-	-	-	1,055,146	1,055,146
Total Assets	<u>\$ 3,714,007</u>	<u>\$ 622,623</u>	<u>\$ 4,336,630</u>	<u>1,055,146</u>	<u>5,391,776</u>
LIABILITIES					
Accounts payable	\$ 11,403	\$ -	\$ 11,403	-	11,403
Wages payable	10,519	-	10,519	-	10,519
Compensated absences payable	25,925	-	25,925	-	25,925
Total Liabilities	<u>47,847</u>	<u>-</u>	<u>47,847</u>	<u>-</u>	<u>47,847</u>
FUND BALANCE / NET POSITION					
Fund Balance:					
Nonspendable	-	622,623	622,623	(622,623)	-
Unassigned	3,666,160	-	3,666,160	(3,666,160)	-
Total Fund Balance	<u>3,666,160</u>	<u>622,623</u>	<u>4,288,783</u>	<u>(4,288,783)</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 3,714,007</u>	<u>\$ 622,623</u>	<u>\$ 4,336,630</u>		
Net Position:					
Net investment in capital assets				1,055,146	1,055,146
Restricted for maintenance				622,623	622,623
Unrestricted				3,666,160	3,666,160
Total Net Position				<u>\$ 5,343,929</u>	<u>\$ 5,343,929</u>

ELSINORE VALLEY CEMETERY DISTRICT

*Reconciliation of the Governmental Funds Balance Sheet to Statement of Net Position
June 30, 2016*

Total Fund Balances-Government Funds	\$ 4,288,783
Amounts reported for Governmental Activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet	<u>1,055,146</u>
Net Position of Governmental Activities	<u><u>\$ 5,343,929</u></u>

ELSINORE VALLEY CEMETERY DISTRICT*Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances /
Statement of Activities**For the Fiscal Year Ended June 30, 2016*

	<u>General Fund</u>	<u>Endowment Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Expenditures/Expenses:					
Cemetery services-operations					
Salaries	\$ 281,968	\$ -	\$ 281,968	\$ -	\$ 281,968
Employee benefits	139,892	-	139,892	-	139,892
Administrative expenses	57,972	-	57,972	-	57,972
Operational expenses	75,897	-	75,897	-	75,897
Utilities	34,449	-	34,449	-	34,449
Capital outlay	20,723	-	20,723	(20,723)	-
Depreciation-unallocated	-	-	-	69,046	69,046
Total expenditures/expenses	<u>610,901</u>	<u>-</u>	<u>610,901</u>	<u>48,323</u>	<u>659,224</u>
Program Revenues:					
Charges for services	<u>43,870</u>	<u>18,100</u>	<u>61,970</u>	<u>-</u>	<u>61,970</u>
Net program expense				<u>48,323</u>	<u>597,254</u>
General Revenues:					
Property taxes	741,762	-	741,762	-	741,762
Investment income	46,363	10,451	56,814	-	56,814
Unrealized gain (loss) on investments	29,917	6,304	36,221	-	36,221
Miscellaneous income	<u>54,641</u>	<u>-</u>	<u>54,641</u>	<u>-</u>	<u>54,641</u>
Total general revenues and transfers	<u>872,683</u>	<u>16,755</u>	<u>889,438</u>	<u>-</u>	<u>889,438</u>
Excess (deficiency) of revenues over (under) expenditures	305,652	34,855	340,507	<u>(340,507)</u>	<u>-</u>
Change in net position				<u>\$ (292,184)</u>	<u>292,184</u>
Fund Balance/Net Position:					
Beginning of year	<u>3,360,508</u>	<u>587,768</u>	<u>3,948,276</u>		<u>5,061,765</u>
Adjustment for restatement, Note 7	<u>-</u>	<u>-</u>	<u>-</u>		<u>(10,020)</u>
Beginning of year, as restated	<u>3,360,508</u>	<u>587,768</u>	<u>3,948,276</u>		<u>5,051,745</u>
End of year	<u>\$ 3,666,160</u>	<u>\$ 622,623</u>	<u>\$ 4,288,783</u>		<u>\$ 5,343,929</u>

ELSINORE VALLEY CEMETERY DISTRICT

*Reconciliation of the Statement of Governmental Fund Revenues, Expenditures, and Changes
in Fund Balance to the Statement of Activities*

For the Fiscal Year Ended June 30, 2016

Net Change in Fund Balances-Total Governmental Funds	\$ 340,507
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlay as expenditures. However, in the Government-Wide Statement of Activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	20,723
Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds.	<u>(69,046)</u>
Change in Net Position-Governmental Activities	<u>\$ 292,184</u>

ELSINORE VALLEY CEMETERY DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A. Description of Organization

The Elsinore Valley Cemetery District (the District) is a public cemetery district operating under the provisions of the Health and Safety Code of the State of California. The District was formed effective March 8, 1955. The District is governed by a Board of Trustees (Board) that acts as the authoritative body of the entity. The Board is comprised of five members appointed by the Riverside County Board of Supervisors. Each member serves a term of four years; there are no term limits for reappointment. Board members may receive \$100 per meeting compensation for attending monthly and special meetings, up to a maximum of four meetings per month.

B. Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, and agencies that are not legally separate from the District.

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete.

The District has identified no organizations that are required to be reported as component units.

C. Basis of Presentation, Basis of Accounting

1. Basis of Presentation

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the primary government (the District) and its component units. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

ELSINORE VALLEY CEMETERY DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation, Basis of Accounting (continued)

1. Basis of Presentation (continued)

Fund Financial Statements

The fund financial statements provide information about the District's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Major Governmental Funds

The District reports the following major governmental funds:

General Fund: This fund is used to account for all financial resources of the District except those required to be accounted for in another fund. Included are transactions for services, rents, property taxes, and interest. The general fund balance is available to the District for any purpose provided it is expended or transferred according to the rules of the Health and Safety Code and by approval of the Board of Trustees.

Endowment Care Fund: This fund is used to account for financial resources to be used for future maintenance of the Cemetery at such time when all lots have been sold and there is no longer revenue generated from such sales. The resources are derived from an endowment care fee assessed on each sale of a burial right and earnings on these resources. Only income earned on these resources may be used for regular operations of the cemetery. The principal must be preserved intact.

2. Measurement Focus, Basis of Accounting

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and financing from capital leases are reported as other financing sources.

ELSINORE VALLEY CEMETERY DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation, Basis of Accounting (continued)

3. Revenues - Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year. Generally, available is defined as collectible within 60 days.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

D. Budgetary Data

The District follows these procedures in establishing budgetary data reflected in the Required Supplementary Information – Budgetary Comparison Schedule:

The District Manager submits to the Board of Trustees a proposed operating budget at the June Board meeting for the ensuing year. The annual budget is a complete financial plan for the ensuing budget year and consists of an operating budget and a capital budget. The General Fund is the only Fund for which an annual budget is legally adopted on a basis consistent with generally accepted accounting principles (GAAP). The Board then considers the proposed budget at its regular meeting, which is open to the public.

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

1. Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid investments with a maturity of three months or less, when purchased, to be cash equivalents. Cash deposits are reported at carrying amount, which reasonably estimates fair value.

2. Investments

Investments are reported at fair value except for short-term investments, which are reported at cost, which approximates fair value. Cash deposits are reported at carrying amount, which reasonably estimates fair value. Investments in governmental investment pools are reported at fair value based on the fair value per share of the pool's underlying portfolio.

3. Capital Assets

Capital assets are stated at cost or at their estimated fair value at date of donation. It is the District's policy to capitalize assets costing over \$500. The provision for depreciation is computed using the straight-line method over the estimated service lives of the capital assets.

ELSINORE VALLEY CEMETERY DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

3. Capital Assets (continued)

Estimated service lives for the District's classes of assets are as follows:

Description	Estimated Lives
Buildings and Improvements	15-30 years
Machinery, Vehicles, and Equipment	5-10 years

4. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has no items that qualify for reporting in this category.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The District has no items that qualify for reporting in this category.

5. Compensated Absences

The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated annual and vacation leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

6. Net Position

Net position is classified into three components: net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets** - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- **Restricted** - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net position** - This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

ELSINORE VALLEY CEMETERY DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

6. Net Position (continued)

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

7. Fund Balances

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

Nonspendable: Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories and prepaid assets.

Restricted: Fund balance is reported as restricted when the constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provision or by enabling legislation.

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

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

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

G. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 during the reported period. Actual results could differ from those estimates.

H. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1, each year. Secured property taxes are levied on July 1 and are payable in two installments, on December 10 and April 10. The County of Riverside Assessor's Office assesses all real and personal property within the County each year.

ELSINORE VALLEY CEMETERY DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Property Taxes (continued)

Property tax in California is levied in accordance with Article 13A of the State Constitution at one (1%) of countywide assessed valuations. The County of Riverside Treasurer's Office remits an undisclosed portion of the one (1%) current and delinquent property tax collections to the District throughout the year.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments at June 30, 2016, are reported at fair value and consisted of the following:

	General Fund	Endowment Care Fund	Total
Cash in banks and on hand	\$ 277,275	\$ 25,972	\$ 303,247
Cash in county treasury	640,616	37,417	678,033
Cash awaiting deposit	15,250	3,550	18,800
Total cash and cash equivalents	<u>\$ 933,141</u>	<u>\$ 66,939</u>	<u>\$ 1,000,080</u>
Investments	<u>\$ 2,765,419</u>	<u>\$ 555,646</u>	<u>\$ 3,321,065</u>

Pooled Funds

The District maintains substantially all of its cash in the County Treasury. The County pools and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited annually to participating funds. Any investment losses are proportionately shared by all funds in the pool.

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.

In accordance with applicable state laws, the County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2016, the County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies.

ELSINORE VALLEY CEMETERY DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 2 – CASH AND INVESTMENTS (continued)

Custodial Credit Risk – Deposits

California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

As of June 30, 2016, \$6,956 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department, or agency, but not in the name of the District.

Investments - Interest Rate Risk

The District's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District's investment policy limits investment purchases to investments with a term not to exceed three years. Investments purchased with maturity terms greater than three years require approval by the Board of Trustees.

Maturities of investments held at June 30, 2016, consisted of the following:

Description	Less than 1 Year	1-5 Years	6-10 Years	Over 10 Years	2016 Total	2015 Total
Corporate bonds	\$ -	\$ 206,139	\$ -	\$ -	\$ 206,139	\$ 224,787
Government bonds	-	-	95,245	359,003	454,248	474,333
Government asset-backed / CMO securities	-	-	-	34,944	34,944	51,366
Certificates of deposit	1,491,077	162,523	50,069	-	1,703,669	1,051,714
Foreign bonds	-	45,221	-	-	45,221	-
Mutual funds	876,844	-	-	-	876,844	846,516
Total	\$ 2,367,921	\$ 413,883	\$ 145,314	\$ 393,947	\$ 3,321,065	\$ 2,648,716

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Required Credit Rating
Local agency bonds	5 years	None	None
U.S. Treasury obligations	5 years	None	None
Registered warrants, notes or bonds of California or other states	5 years	None	None
Bonds, notes, warrants of other local California agencies	5 years	None	None
U.S. agency securities	5 years	None	None
Bankers' acceptances	180 days	40%	None
Commercial paper	270 days	25%	A-1
Negotiable certificates of deposit	5 years	30%	None
Repurchase agreements	1 year	None	None
Reverse purchase agreements	92 days	20%	None
Securities lending agreements	92 days	20%	None
Medium-term notes	5 years	30%	A
Mutual funds	N/A	20%	None
Money market mutual funds	N/A	20%	None
Mortgage pass-through securities, collateralized mortgages(CMO), and asset-backed securities	5 years	20%	AA
Joint powers authority (JPA) pools	N/A	None	None
Local agency investment fund (LAIF)	N/A	None	None
County Pooled investment funds	N/A	None	None

ELSINORE VALLEY CEMETERY DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 2 – CASH AND INVESTMENTS (continued)

Investments - Credit Risk

The District's investment policy limits investment choices to obligations of local, state and federal agencies, commercial paper, certificates of deposit, repurchase agreements, corporate notes, banker acceptances, and other securities allowed by State Government Code Section 53600. At June 30, 2016, all investments represented governmental securities which were issued, registered and held by the District's agent in the District's name.

Investments - Concentration of Credit Risk

The District does not place limits on the amount it may invest in any one issuer. At June 30, 2016, the District had the following investments that represented more than five percent of the District's net investments.

Issuer	Fair Value	Percentage of Total Investment Portfolio
Wells Fargo Funds	513,978	15%
Federal National Mortgage Association	366,842	11%
Bond Fund of America	341,042	10%
Santander UK	295,216	9%
Banc of California	249,908	8%
Mizuho Bank	239,926	7%
Pimco Funds	224,999	7%
Apple Bank for Savings	179,987	5%

NOTE 3 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2016, was as follows:

	Balance, July 1, 2015	Adjustments for restatement	Balance, July 1, 2015 As restated	Additions	Retirements	Balance, June 30, 2016
Capital assets not being depreciated:						
Land and Improvements	\$ 818,284	\$ 9,666	\$ 827,950	\$ -	\$ -	\$ 827,950
Work in process	45,802	-	45,802	20,723	-	66,525
Total capital assets not being depreciated	864,086	9,666	873,752	20,723	-	894,475
Capital assets being depreciated:						
Buildings and Improvements	610,866	(13,584)	597,282	-	-	597,282
Equipment	419,272	(77,990)	341,282	-	-	341,282
Total capital assets being depreciated	1,030,138	(91,574)	938,564	-	-	938,564
Accumulated depreciation for:						
Buildings and Improvements	(422,895)	10,475	(412,420)	(26,371)	-	(438,791)
Equipment	(357,840)	61,413	(296,427)	(42,675)	-	(339,102)
Total accumulated depreciation	(780,735)	71,888	(708,847)	(69,046)	-	(777,893)
Total capital assets being depreciated, net	249,403	(19,686)	229,717	(69,046)	-	160,671
Governmental activity capital assets, net	\$ 1,113,489	\$ (10,020)	\$ 1,103,469	\$ (48,323)	\$ -	\$ 1,055,146

ELSINORE VALLEY CEMETERY DISTRICT

Notes to Financial Statements

Years Ended June 30, 2016

NOTE 4 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; damage to and theft or destruction of assets; errors and omissions; injuries to employees, and natural disasters. To mitigate these risks, the District is a member of the Golden State Risk Management Authority (Authority). The Authority is composed of over 190 member public agencies and is organized under a joint powers agreement pursuant to California Government Code Section 6500 et. Seq.

Member agencies pay an annual premium to the Authority and are determined annually by the governing board. The District's policy limits for workers' compensation insurance is \$5,000,000 per occurrence with no deductible. The District's policy limits for property and liability insurance are \$600,000,000 per covered loss for property damage, which includes automobile, mobile equipment, and boiler and machinery; and \$50,000,000 per occurrence for general liability, which includes automobile, errors and omissions of officers and board of trustees, and pollution liabilities. The District has deductibles of \$1,000 for direct property loss and \$250 comprehensive/\$500 collision for automobile physical damage loss.

NOTE 5 – FUND BALANCE

At June 30, 2016, fund balances of the District's governmental funds were classified as follows:

	General Fund	Endowment Fund	Total
Restricted:			
Maintenance	\$ -	\$ 622,623	\$ 622,623
Unassigned	3,666,160	-	3,666,160
Total	<u>\$ 3,666,160</u>	<u>\$ 622,623</u>	<u>\$ 4,288,783</u>

NOTE 6 – COMMITMENTS AND CONTINGENCIES

The District is involved in routine litigation incidental to its business and may be subject to claims and litigation from outside parties. After consultation with legal counsel, management believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

NOTE 7 – ADJUSTMENT FOR RESTATEMENT

The beginning fund balance in the Statement of Activities has been restated by \$10,020 to adjust for capital assets previously disposed of but not removed from the asset listing.

Required Supplementary Information

ELSINORE VALLEY CEMETERY DISTRICT*Budgetary Comparison Schedule**For the Fiscal Year Ended June 30, 2016*

	Budget Amounts	Actual	Variance with Budget
Revenues			
Property taxes	\$ 628,600	\$ 741,762	\$ 113,162
Charges for services	30,000	43,870	13,870
Investment income	8,300	76,280	67,980
Miscellaneous income	50,000	54,641	4,641
	<hr/>	<hr/>	<hr/>
Total Revenues	716,900	916,553	199,653
	<hr/>	<hr/>	<hr/>
Expenditures			
Salaries	276,000	281,968	(5,968)
Employee benefits	158,100	139,892	18,208
Administrative expenses	124,800	57,972	66,828
Operational expenses	60,000	75,897	(15,897)
Utilities	55,000	34,449	20,551
	<hr/>	<hr/>	<hr/>
Total Expenditures	673,900	590,178	83,722
	<hr/>	<hr/>	<hr/>
Excess Revenues over Expenditures	43,000	326,375	283,375
	<hr/>	<hr/>	<hr/>
Other Financing (Uses)			
Capital expenditures	(15,000)	(20,723)	(5,723)
	<hr/>	<hr/>	<hr/>
Excess of Revenues over Expenditures and Other Uses	28,000	305,652	277,652
	<hr/>	<hr/>	<hr/>
Fund Balance - beginning of year	2,969,758	4,288,783	1,319,025
	<hr/>	<hr/>	<hr/>
Fund Balance - end of year	<u>\$ 2,997,758</u>	<u>\$ 4,594,435</u>	<u>\$ 1,596,677</u>

ELSINORE VALLEY CEMETERY DISTRICT
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2016

NOTES TO SCHEDULE

Budgetary Comparison Schedule

This schedule is required by GASB Statement No. 34 as required supplementary information (RSI) for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedule presents both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the District's budgetary basis. A separate column to report the variance between the final budget and actual amounts is also presented, although not required.

Excess of Expenditures Over Appropriations

At June 30, 2016, the District incurred the following excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule:

Salaries	\$	5,968
Operational expenses		15,897

Other Independent Auditors' Report



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

Board of Trustees
Elsinore Valley Cemetery District
Lake Elsinore, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Elsinore Valley Cemetery District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Elsinore Valley Cemetery District's basic financial statements, and have issued our report thereon dated February 3, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in blue ink that reads "Nigro+Nigro, PC". The signature is written in a cursive, flowing style.

Murrieta, California
February 3, 2017

Findings and Recommendations

ELSINORE VALLEY CEMETERY DISTRICT
Schedule of Audit Findings and Recommendations
For the Fiscal Year Ended June 30, 2016

SECTION I - FINANCIAL STATEMENT FINDINGS

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

There were no audit findings in 2015-16.

ELSINORE VALLEY CEMETERY DISTRICT
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2016

There were no findings or recommendations in 2014-15.