

**PALM SPRINGS CEMETERY
DISTRICT
ANNUAL FINANCIAL REPORT
JUNE 30, 2017**

PALM SPRINGS CEMETERY DISTRICT

OF RIVERSIDE COUNTY

CATHEDRAL CITY, CALIFORNIA

JUNE 30, 2017

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Jan Pye	Chairperson	June 2020
Lenny Pepper	Vice Chairperson	August 2018
William G. Kleindienst	Secretary	June 2020
Lynn Mallotto	Treasurer	August 2018
Jane Alcumbrac	Member	August 2018

ADMINISTRATION

Kathleen Jurasky

Manager

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PALM SPRINGS CEMETERY DISTRICT

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Palm Springs Cemetery District
Cathedral City, California

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities and each major fund of Palm Springs Cemetery District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Palm Springs Cemetery District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable 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.

Opinions

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 Palm Springs Cemetery District, as of June 30, 2017, and the respective changes in financial position 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 required supplementary information, such as management's discussion and analysis, budgetary comparison, and OPEB schedule on pages 5 through 11 and 37 through 39, respectively, 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 our report dated January 10, 2018 on our consideration of Palm Springs Cemetery District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Palm Springs Cemetery District's internal control over financial reporting and compliance.

Dennis Cooper & Associates C.P.A.s

January 10, 2018

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MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

Our discussion and analysis of Palm Springs Cemetery District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2017. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- ▶ The District's net position increased over the course of this year's operations by over \$146,000.
- ▶ During the year, the District's expenses were \$1.2 million, which was less than the \$1.3 million generated in taxes, sales, and other revenues. This is less than last year, when revenues exceeded expenses by \$447,000.
- ▶ The resources available for appropriation were \$98,313 less than budgeted for the general fund. However, we kept expenditures within spending limits primarily through a reduction in salaries, benefits and operational expenses.

OVERVIEW OF FINANCIAL STATEMENTS

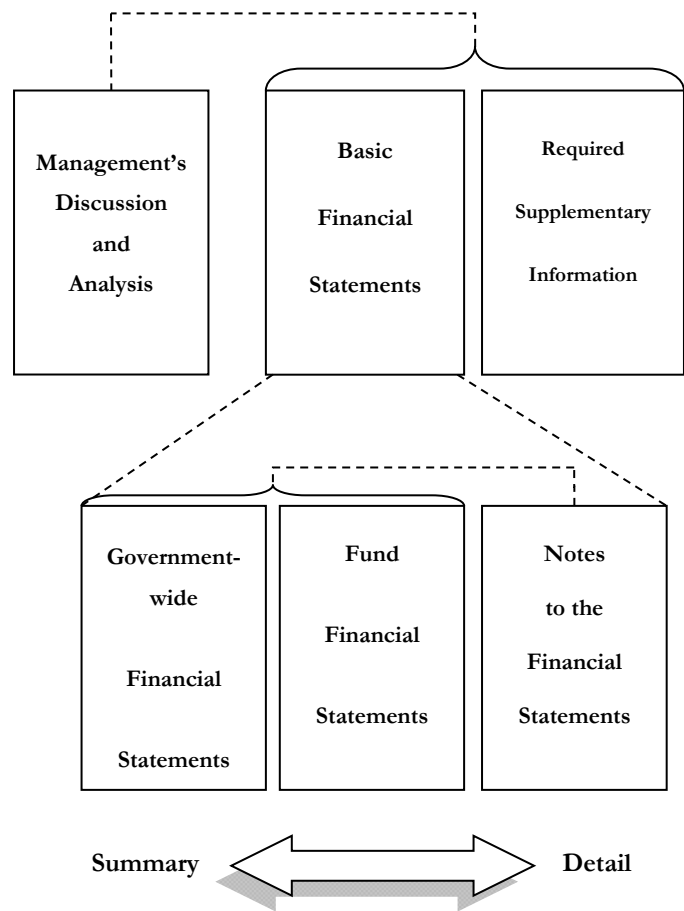
Components of the Financials Section

This annual report consists of four 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:

Figure A-1
Required Components of Palm Springs Cemetery District’s Annual Financial Report

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District’s *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District government, reporting the District’s operations in *more detail* than the government-wide statements.

– The *governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.



PALM SPRINGS CEMETERY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
 JUNE 30, 2017

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's net position increased slightly between fiscal years 2016 and 2017—to \$9.6 million. (See Table 1)

The net position of the District's governmental activities increased two percent. This was due to some cash and investment increase (due to better performance) and niche rehabilitation.

Table 1

	Governmental Activities				
	(amounts in thousands)	2017	Restated 2016	\$ Change	% Change
ASSETS					
Current assets	\$	7,174	\$ 7,363	\$ (189)	-3%
Noncurrent assets, net		3,995	3,584	411	11%
Total Assets		11,169	10,947	222	2%
LIABILITIES					
Current liabilities		52	66	(14)	-21%
Non-current liabilities		1,512	1,422	90	6%
Total Liabilities		1,564	1,488	76	5%
NET POSITION					
Net investment in capital assets		2,548	2,482	66	3%
Restricted		3,990	3,990	-	0%
Unrestricted		3,067	2,987	80	3%
Total Net Position	\$	9,605	\$ 9,459	\$ 146	2%

PALM SPRINGS CEMETERY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
JUNE 30, 2017

Changes in Net Position

Total revenues, were down from F/Y 2015-2016 due to decreases in site sells, interments and property tax revenue was up \$14,327, which is 5% over prior year. Interest on Investments for F/Y 2015-2016 has begun to improve over the past 5 year's performance.

Total Expenses, were up by 2%, in F/Y 2016-2017 compared to F/Y 2015-2016 mostly due to an increase in depreciation.

Table 2

	Governmental Activities						
	<i>(amounts in thousands)</i>		2017	2016	\$ Change	% Change	
REVENUES							
Property taxes	\$	306	\$	289	\$	17	6%
Charges for services		930		1,108		(178)	-16%
Other		112		219		(107)	49%
Total Revenues		1,348		1,616		(268)	-17%
EXPENSES							
Salaries and benefits		450		442		8	2%
Materials and services		540		548		(8)	-1%
Other charges		212		185		27	15%
Total Expenses		1,202		1,175		27	2%
Special items		-		6		(6)	n/a
Excess	\$	146	\$	447	\$	(301)	67%

PALM SPRINGS CEMETERY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued JUNE 30, 2017

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

General Operating Fund:

- Revenues: Total Operating Income for the FY 2016/2017 was slightly higher than FY 2015/2016 due to an increase in interments.
 - The Board of Trustees voted in July 2016 to raise the District the schedule of charges 2%-5% for cemetery services over last year. The total revenue received from cemetery services decreased by \$178,410. The number of services in the District decreased by 16% from the level of activity in FY 2015/2016.
 - Property Tax revenue increased by \$18,671, or 6% over the F/Y 2015/2016.
- Expenditures: Total expenditures for the year were managed closely despite unplanned expenses. Expenses were \$63,080 under budgeted levels despite higher spending on irrigation and well repairs, IT computer support/service, network fixes.

Endowment Care Fund: At the end of the fiscal year the Endowment Care fund increased by \$134,417 to an ending balance of \$5,528,264, and represents an increase of 2% to the total fund. The increase was due to at-need and pre-need sales activity and interest earned on investments. Assigned funds in the amount of \$1,942,348 can be used to maintain the cemeteries.

Pre-need Fund: The Pre-Need fund was increased by \$116,477, to a total fund balance of \$934,394. This was the result of the sale in the amount of \$125,508 of pre-need services and the receipt of interest from investments. The general operating fund received \$48,095 from interment services that were used from the pre-need unearned revenue fund during the year.

Capital Outlay Fund: The Accumulative Capital Outlay (ACO) fund decreased by \$189,615 due to transfers to the general operating fund of \$115,000 and capital outlays of \$278,068 exceeding revenues of \$194,582, and that amount was deducted from the ACO fund account at Riverside County. Prior years investment of \$643,938, which are invested outside of the Riverside County Treasurer increased by \$4,782 to a total of \$648,720 for fiscal year end 2016-2017.

PALM SPRINGS CEMETERY DISTRICT

MANAGEMENT’S DISCUSSION AND ANALYSIS, Continued
JUNE 30, 2017

Capital Asset and Debt Administration

Capital Assets

At June 30, 2017, the District had a net decrease (including additions and deductions) of \$166 thousand from last year.

Table 3

	Governmental Activities				
	<i>(amounts in thousands)</i>	2017	2016	\$ Change	\$ Change
CAPITAL ASSETS					
Land and construction in progress	\$	312	\$ 226	\$ 86	38%
Buildings and equipment		4,421	4,278	143	3%
Accumulated depreciation		(2,185)	(2,022)	(163)	8%
Total Capital Assets	\$	2,548	\$ 2,482	\$ 66	3%

Long-Term Liability

At year-end the District had \$541,095 in other postemployment benefits (“OPEB”) and an additional \$11,823 in long-term compensated absence balance. More detailed information about the District’s OPEB is presented in Note 10 to the financial statements.

PALM SPRINGS CEMETERY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued JUNE 30, 2017

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The number of interments in the District decreased from 272 in F/Y 2015/2016 to 227 in F/Y 2016/2017. This decrease in interments resulted in a 9.5% decrease in cemetery revenue. The revenue from interments in F/Y 2017/2018 is anticipated to be greater than F/Y 2016/2017. Charges for Interment Rights provided by Palm Springs Cemetery District will increase 2% in F/Y 2017/2018, which will increase the endowment fund and assist in offsetting the increase in operational expenses.

The property tax revenue for 2016/2017 was budgeted 2% higher than the actual revenues from F/Y 2015/2016. The actual property tax revenue for 2016/2017 was \$11,779 higher than budgeted. Recent data on property sales, State Tax Revenue reports, and Riverside County Treasury reports indicate an improving trend for property tax revenues. However, tax revenues continue to be at risk due to the current State of California Budgeting process. Revenues from investments are expected to be only slightly better than F/Y 2016/17 as the economy, while growing slightly, does not offer much growth in conservative investments such as CD's and Bonds. However, interest rates are expected to increase in the upcoming years.

Capital Projects for F/Y 2017/2018:

Tamarisk Trees removal and block wall installation project with an estimated cost of \$475,993, part of which will be funded by a \$85,000 grant from the Coachella Valley Mountain Conservancy.

Repairs to Well #2 will include a submersible pump, motor and variable frequency drive (VFD), estimated costs are \$49,865.

To continue cemetery beautification, repairs, cleaning and polishing of all cremation niches at Desert Memorial Park will be done at a cost of \$59,624. District will spend an estimated \$32,005 for the purchase of grave markers and trees for new interment sections C-25 thru C-29.

Funds to cover the expense for these expenditures are coming from the accumulated capital outlay (ACO) fund.

The District's outreach within the cities and communities in the district will continue through activities involving the Chambers of Commerce, and work with other organizations and non-profits.

Management team focus will on implementing a new Cemetery Management Software System, an advertising campaign and adding new interments sections at Desert Memorial Park in F/Y 2017/2018.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, taxpayers, participants, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for money it receives. If you have any questions about this report, or need additional financial information, contact Palm Springs Cemetery District office at 31-705 Da Vall Drive, Cathedral City, CA 92234.

PALM SPRINGS CEMETERY DISTRICT

GOVERNMENTAL FUNDS & STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Pre-Need Fund	ACO Fund
ASSETS			
Cash and cash equivalents	\$ 165,653	\$ 1,363,416	\$ 705,087
Accrued receivables	5,268	83,683	446
Investments	-	404,565	353,288
Nondepreciable capital assets	-	-	-
Depreciable capital assets, net	-	-	-
Total Assets	\$ 170,921	\$ 1,851,664	\$ 1,058,821
LIABILITIES			
Accrued liabilities	\$ 52,388	\$ -	\$ -
Unearned revenue	41,693	917,270	-
Long-term liabilities	-	-	-
Total Liabilities	94,081	917,270	-
FUND BALANCES / NET POSITION			
Fund balance			
Non-spendable	15,300	-	-
Spendable			
Assigned	-	934,394	1,058,821
Unassigned	61,540	-	-
Net position			
Net investment in capital assets	-	-	-
Restricted	-	-	-
Unrestricted - (Deficit)	-	-	-
Total Fund Balances / Net Position	76,840	934,394	1,058,821
Total Liabilities and Fund Balances / Net Position	\$ 170,921	\$ 1,851,664	\$ 1,058,821

The accompanying notes are an integral part of these financial statements

Endowment Care Fund	Total Governmental Funds	Adjustments Note 2 A.	Statement of Net Position	Pet Memorial Park Cemetery
\$ 4,836,474	\$ 7,070,630	\$ -	\$ 7,070,630	\$ 5,000
2,532	91,929	11,056	102,985	-
689,258	1,447,111	-	1,447,111	-
-	-	311,829	311,829	-
-	-	2,236,221	2,236,221	-
\$ 5,528,264	\$ 8,609,670	\$ 2,559,106	\$ 11,168,776	\$ 5,000
\$ -	\$ 52,388	\$ -	\$ 52,388	\$ -
-	958,963	-	958,963	-
-	-	552,918	552,918	5,111
-	1,011,351	552,918	1,564,269	5,111
3,585,916	3,601,216	(3,601,216)	-	-
1,942,348	3,935,563	(3,935,563)	-	-
-	61,540	(61,540)	-	-
-	-	2,548,050	2,548,050	-
-	-	3,585,916	3,585,916	-
-	-	3,470,541	3,470,541	(111)
5,528,264	7,598,319	2,006,188	9,604,507	(111)
\$ 5,528,264	\$ 8,609,670	\$ 2,559,106	\$ 11,168,776	\$ 5,000

PALM SPRINGS CEMETERY DISTRICT

GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE &
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Pre-Need Fund	ACO Fund
REVENUES			
Property taxes	\$ 300,323	\$ -	\$ -
Charges for services	466,205	125,508	191,755
Revenue from use of money and property	61,895	12,648	(4,447)
Miscellaneous	27,238	-	7,274
Total Revenues	855,661	138,156	194,582
EXPENDITURES			
Current			
Salaries	317,071	-	-
Benefits	133,215	-	-
Materials and supplies	38,840	-	-
Services	469,463	10,039	2,769
Depreciation	-	-	-
Capital outlay	-	-	278,068
Total Expenditures	958,589	10,039	280,837
Excess (Deficiency) of Revenues			
Over Expenditures	(102,928)	128,117	(86,255)
OTHER FINANCING SOURCES (USES)			
Transfers In	115,000	-	11,640
Transfers Out	-	(11,640)	(115,000)
Other Uses	(5,111)	-	-
Net Financing Sources (Uses)	109,889	(11,640)	(103,360)
NET CHANGE IN FUND BALANCE			
/ NET POSITION	6,961	116,477	(189,615)
Fund Balance - Beginning (Restated)	69,879	817,917	1,248,436
Fund Balance - Ending	\$ 76,840	\$ 934,394	\$ 1,058,821

The accompanying notes are an integral part of these financial statements

Endowment Care Fund	Total Governmental Funds	Adjustments Note 2 B.	Statement of Activities	Pet Memorial Park Cemetery
\$ -	\$ 300,323	\$ 5,945	\$ 306,268	\$ -
146,341	929,809	-	929,809	-
7,211	77,307	-	77,307	-
-	34,512	-	34,512	-
153,552	1,341,951	5,945	1,347,896	-
-	317,071	11,823	328,894	-
-	133,215	(11,980)	121,235	-
-	38,840	-	38,840	-
19,135	501,406	-	501,406	111
-	-	212,243	212,243	-
-	278,068	(278,068)	-	-
19,135	1,268,600	(65,982)	1,202,618	111
134,417	73,351	71,927	145,278	(111)
-	126,640	(126,640)	-	-
-	(126,640)	126,640	-	-
-	(5,111)	5,111	-	-
-	(5,111)	5,111	-	-
134,417	68,240	77,038	145,278	(111)
5,393,847	7,530,079	1,929,150	9,459,229	-
\$ 5,528,264	\$ 7,598,319	\$ 2,006,188	\$ 9,604,507	\$ (111)

PALM SPRINGS CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1 - A. Financial Reporting Entity

The District was established in 1917, under the laws of the State of California, by way of acquiring the Welwood Murray Cemetery, which was started in 1894. In 1957, Desert Memorial Park was opened. The District operates under an appointed five-member Board form of government, each board member term is four years. The District provides burial services to the residents of Palm Springs, North Palm Springs, Desert Hot Springs, Sky Valley, Thousand Palms, Cathedral City, and most of Rancho Mirage. The District operates two cemeteries, Desert Memorial Park in Cathedral City and Welwood Murray in Palm Springs.

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. For Palm Springs Cemetery District, this includes general operations, pre-need, capital projects and endowment activities of the District.

1 - B. Discretely Presented Component Unit

Pet Memorial Park Cemetery (“Pet Cemetery”) is a legally separate, tax-exempt (501(c)(3), discretely presented component unit of the District. The Pet Cemetery is intended to be a separate, self-sustaining, not-for-profit pet cemetery. The Pet Cemetery was organized and operated exclusively for charitable purpose of raising funds from the general public and other sources to operate a pet cemetery. The seven-member board of the Pet Cemetery is self-perpetuating and consists of the District’s five board members as well as two additional members of the public. The Pet Cemetery has been authorized (through the District’s board action) an advanced in the amount of \$25,000, of which the Pet Cemetery has drawn down \$5,111. There has been no other financial activity.

1 - C. Other Related Entities

Joint Powers Authority (JPA). The District is associated with a JPA, the Special District Risk Management Authority (“SDRMA”). This organizations does not meet the criteria for inclusion as a component unit of the District. Additional information is presented in Note 11 to the financial statements.

1 - D. Basis of Presentation

Combined Presentation. The District is a special-purpose governments engaged in a single governmental program (cemetery district). The accounting standards allow these kinds of governments to employ alternative forms of presentation that involve combining the government-wide and fund financial statements using a columnar format that reconciles the two kinds of financial data in a separate column on each statement. The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the overall government, except for fiduciary activities. The government-wide statements provide information about the primary government (the District) and its component units. Eliminations have been made to minimize the double counting of internal activities. 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. *Governmental funds* are used to account for activities that are governmental in nature. Governmental activities are typically tax-supported and include burial services, pre-need reservations, capital projects and endowment activity.

PALM SPRINGS CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2017

Major Governmental Funds

General Fund. The general fund is the main operating fund of the District. It is used to account for all activities except those that are required to be accounted for in another fund. In keeping with the minimum number of funds principle, all of a District's activities are reported in the general fund unless there is a compelling reason to account for an activity in another fund. A District may have only one general fund.

Pre-Need Fund is established to account for the proceeds from pre-need services (other than trusts, major capital projects, or debt service) that are restricted or committed to the financing of pre-need activities and that compose a substantial portion of the inflows of the fund. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

Accumulated Capital Outlay (“ACO”) Fund. Capital project funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds). Internment rights fees/charges are deposited into this fund.

Endowment Care (Permanent) Fund. The Endowment Care Fund is used to account for resources received from endowment fees collected pursuant to Health and Safety Code Section 9065 that are restricted to the extent that earnings, but not principal, may be used for purposes that support the upkeep of the District’s grounds.

1 - E. Basis of Accounting

Government-Wide Financial Statements. The government-wide financial statements are reported using the economic resources measurement focus. The government-wide, proprietary, and fiduciary fund financial statements are reported using 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.

Net Position should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities result from special revenue funds and the restrictions on their net asset use.

Governmental Funds. Governmental fund financial statements 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. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within one year after year-end. All other revenue items are considered to be measurable and available only when the District receives cash. Property taxes are recorded the same as what is described for Government-Wide Statements. Expenditures generally are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, early retirement and postemployment healthcare benefits 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.

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 or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 60 days of fiscal year-end.

PALM SPRINGS CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued JUNE 30, 2017

Property taxes are government mandated non-exchange transactions and are recognized when all eligibility requirements have been met.

The tax calendar is as follows:

- ❖ July 1 - Beginning of the fiscal year and delinquent Secured property taxes DEFAULT and begin accruing additional penalties of 1 ½% per month and a redemption fee.
- ❖ July - Treasurer-Tax Collector mails out Unsecured property tax bills.
- ❖ August/September - Treasurer-Tax Collector mails out Prior Year Secured property tax bills.
- ❖ August 31 - Unsecured property tax delinquent date. A 10% penalty is added after 5:00 p.m.*
- ❖ October - Treasurer-Tax Collector mails out Current Year Secured property tax bills.
- ❖ November 1 - First installment is due (Current Secured property tax) and delinquent Current Year Unsecured taxes begin accruing additional penalties of 1½% per month.
- ❖ December 10 - First installment payment delinquent date (Current Secured property tax). A 10% penalty is added after 5:00 p.m.*
- ❖ January 1 - Lien date for the establishment of ownership, value and unsecured taxes for the ensuing fiscal year.
- ❖ February 1 - Second installment is due (Current Secured property tax).
- ❖ April 10 - Second installment payment delinquent date (Current Secured property tax). A 10% penalty and cost is added after 5:00 p.m.*
- ❖ May - Treasurer-Tax Collector mails delinquent notices for any unpaid, Current Year Secured property taxes.

* If a delinquent date falls on a Saturday, Sunday or County Holiday, the delinquent date is the next business day.

The County of Riverside bills and collects the taxes on behalf of the District. The District recognizes property tax revenues actually received as reported by the County Auditor Controller.

Expenses/Expenditures. On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

1 - F. Assets, Liabilities, and Net Position

Fair Value. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements as of June 30, 2017:

- ❖ Cash in County of \$2,528,413 is valued using quoted market prices (Level 1 inputs)
- ❖ Money market, open-end mutual funds, and exchange traded funds “ETFs” of \$4,485,265, Level 1.
- ❖ Debt securities and CDs of \$1,447,111, Level 1.

Acquisition Value. The price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date, or the amount at which a liability could be liquidated with the counterparty at the acquisition date.

PALM SPRINGS CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2017

Deposits and Investments

The District’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Some short-term cash surpluses are maintained in the county cash and investments pool, the earnings from which are allocated to each fund based on month-end deposit and investment balances.

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of donation. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets utilized by the enterprise fund is also capitalized. Depreciation of capital assets is computed and recorded by the straight-line method over the following estimated useful life:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings	10 – 30
Site Improvements	50 – 20
Equipment	5 – 20

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Due from other funds/Due to other funds." These amounts are eliminated in the governmental activities columns of the statement of net position.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

However, claims and judgments and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

Unearned Revenue. Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized. As of June 30, 2017 the General Fund recorded a balance of \$41,693 from unearned marker setting fees and the Pre-Need Fund recorded a balance of \$917,270 from unearned “at-need” burial services.

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the accounts payable in the General Fund from which the employees who have accumulated leave are paid.

PALM SPRINGS CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued JUNE 30, 2017

Fund Balance

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

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

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

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

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Net Position

Net Position represent the difference between assets and liabilities. Net Position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The District has related debt outstanding as of June 30, 2017. Net Position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. The district-wide financial statements report \$3,585,916 of restricted net position.

Interfund Activity

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

Estimates

The preparation of the 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

PALM SPRINGS CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2017

Budgetary Data

The budgetary process is prescribed by provisions of the California Government Code and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For purposes of the budget, on-behalf payments have been included as revenue and expenditures as required under generally accepted accounting principles.

1 - G. New Accounting Pronouncements

The Governmental Accounting Standards Board (“GASB”) has issued the following standards:

- ❖ Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged.
- ❖ GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer’s pension liability is measured as of a date other than the employer’s most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged.
- ❖ GASB Statement No. 84, *Fiduciary Activities*. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.
- ❖ GASB Statement No. 85, *Omnibus 2017*. The provisions of this Statement are effective for periods beginning after June 15, 2017. Earlier application is encouraged.
- ❖ GASB Statement No. 87, *Leases*. Effective Date: For reporting periods beginning after December 15, 2019.

For specific details about the standards, please see www.gasb.org.

PALM SPRINGS CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2017

NOTE 2 – EXPLANATION OF DIFFERENCES BETWEEN THE FUND FINANCIAL STATEMENTS AND DISTRICT-WIDE STATEMENTS

2 - A. Governmental Funds Balance Sheet and Statement of Net Assets

Total Fund Balance - Governmental Funds \$ 7,598,319

Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

Capital assets:

In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation:

	Capital assets	4,733,239	
	Accumulated depreciation	(2,185,189)	2,548,050

Long-term receivables:

In governmental funds, only current receivables are reported. In the statement of net position, all receivables, including long-term receivables, are reported. Long-term receivables relating to governmental activities consist of:

	Property tax receivable	5,945	
	Pet Cemetery promissory note/drawdown	5,111	11,056

Long-term liabilities:

In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

	Net OPEB obligation	541,095	
	Compensated absences	11,823	(552,918)

Total Net Position - Governmental Activities \$ 9,604,507

PALM SPRINGS CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2017

2 - B. Governmental Funds Operating Statements and the Statement of Activities

Net Change in Fund Balances - Governmental Funds \$ 68,240

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

Capital outlay:

In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay:	278,068	
Depreciation expense:	(212,243)	65,825

Promissory Note Issuance:

In governmental funds, issuance of promissory notes are recognized as Other Financing Uses. In the government-wide statements, issuances of promissory notes are reported as increases to receivables. Amounts recognized in governmental funds as issuance of the promissory note, was:

5,111

Earned but unavailable revenues:

In governmental funds, revenues are recognized only to the extent that they are "available," meaning they will be collected soon enough after the end of the period to finance expenditures of that period. In the governmental-wide statements, revenue is recognized when earned, regardless of availability. The amount of earned but unavailable revenues relating to the current period, less revenues that became available in the current period but related to a prior period, is:

5,945

Compensated absences:

In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amount earned. The difference between compensated absences paid and compensated absences earned, was:

(11,823)

Postemployment benefits other than pensions ("OPEB"):

In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was:

11,980

Change in net position of Governmental Activities **\$ 145,278**

PALM SPRINGS CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2017

NOTE 3 – DEPOSITS AND INVESTMENTS

3 - A. Summary of Deposits and Investments

	Governmental	Pet
	Activities	Cemetery
Cash on hand	\$ 900	\$ -
Deposits in financial institutions	56,052	5,000
Cash in County	2,528,413	-
Money market / mutual funds / ETFs	4,485,265	-
Total Cash and Cash Equivalents	\$ 7,070,630	\$ 5,000
Investments	\$ 1,447,111	

3 - B. Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the state; U.S. Treasury instruments; registered state warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations; the Riverside County Investment Pool.

3 - C. General Authorizations

Except for investments by trustees of debt proceeds, the authority to invest District funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the Riverside County Treasurer and Tax Collector may be obtained from its website.

PALM SPRINGS CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2017

Below is a listing of allowable investment instruments per Government Code §§16340, 16429.1, 53601, 53601.8, 53635, 53635.2, 53635.8, and 53638; applicable to all local agencies.

INVESTMENT TYPE	MAXIMUM MATURITY	MAXIMUM SPECIFIED% 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%E	None
Commercial Paper— Select Agencies	270 days	25% of the agency’s money	“A-1” to “A”
Commercial Paper— Other Agencies	270 days	40% of the agency’s money	“A-1” to “A”
Negotiable Certificates of Deposit	5 years	30%	None
Placement Service Deposits	5 years	30%	None
Placement Service Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements and Securities Lending Agreements	92 days	20% of the base value of the portfolio	None
Medium-Term Notes	5 years	30%	“A”
Mutual Funds And Money Market Mutual Funds	N/A	20%	Multiple
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass-Through Securities	5 years	20%	“A”
Bank/Time Deposits	5 years	None	None
County Pooled Investment Funds	N/A	None	None
Joint Powers Authority Pool	N/A	None	Multiple
Local Agency Investment Fund (LAIF)	N/A	None	None
Voluntary Investment Program Fund	N/A	None	None

3 - D. Cash Deposits

Credit Risk. As of June 30, 2017, the District’s Cash in County pool consisted of debt securities and the ratings ranged from AAA to AA- by Standard & Poor’s.

	<u>Maturity</u>	<u>Fair Market Value</u>
Cash in county	1.13 years	\$ 2,528,413

Custodial Credit Risk. There is a risk that, in the event of a bank failure, the District’s deposits may not be returned. The District’s deposit policy requires that all deposits are covered by the Federal Depository Insurance Corporation (“FDIC”) or are collateralized as required by Statutes of the State. As of June 30, 2017, the carrying amount of the District’s bank deposits was \$56,052, and the bank balances totaled \$92,652, all of which was insured through the FDIC.

PALM SPRINGS CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2017

3 - E. Investments

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the District's \$5,932,376 investment balances are held by the investment's counterparty.

There is a risk that, in the event of a counterparty failure, the District's investments may not be returned. As of June 30, 2017, the carrying amount of the District's investments was \$5,932,376. Of the total investment balance, \$500,000 was insured through the Securities Investor Protection Corporation ("SIPC"). The remaining \$5,432,376 was collateralized with pooled securities held by the financial institutions' trust departments. These securities are held in the name of the financial institution and not that of the District.

	Fair Market		Maturities in years	
	Value	S & P Rating	< 1	1 - 5
Money market / mutual funds / ETFs	\$ 4,485,265	NA	\$ 4,485,265	\$ -
Investments:				
Negotiable CDs	\$ 1,088,936	NA, FDIC	\$ 539,973	\$ 548,963
Government bonds	199,096	AA+	-	199,096
Corporate bonds	105,178	A	-	105,178
Corporate bonds	53,901	A-	-	53,901
Total Investments	\$ 1,447,111		\$ 539,973	\$ 907,138

NOTE 4 – ACCRUED RECEIVABLES

All receivables are considered collectible in full, as of June 30, 2017, the accrued receivables consisted of the following:

	General Fund	Pre-Need Fund	ACO Fund	Endowment Care Fund	District-Wide	Total Govt. Activities
Taxes receivable	\$ 5,137	\$ -	\$ -	\$ -	-	\$ 5,137
Interest receivable	-	613	446	2,532	-	3,591
Security deposits receivable	131	-	-	-	-	131
Contracts receivable	-	83,070	-	-	5,945	89,015
Promissory note	-	-	-	-	5,111	5,111
Total	\$ 5,268	\$ 83,683	\$ 446	\$ 2,532	\$ 11,056	\$ 102,985

PALM SPRINGS CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2017

NOTE 5 – CAPITAL ASSETS

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

	Balance				Balance	
	July 01, 2016	Additions	Deductions		June 30, 2017	
Governmental Activities						
Capital assets not being depreciated						
Land	\$ 141,476	\$ -	\$ -		\$ 141,476	
Land improvements	84,178	-	-		84,178	
Construction in progress	-	86,175	-		86,175	
Non-Depreciable Capital Assets	\$ 225,654	\$ 86,175	\$ -		\$ 311,829	
Capital assets being depreciated						
Land improvements	\$ 2,233,119	\$ 102,102	\$ -		\$ 2,335,221	
Buildings & improvements	1,812,760	-	-		1,812,760	
Furniture & equipment	232,198	89,791	48,560		273,429	
Total Capital Assets Being Depreciated	4,278,077	191,893	48,560		4,421,410	
Less Accumulated Depreciation						
Land improvements	1,559,306	124,701	-		1,684,007	
Buildings & improvements	265,296	60,040	-		325,336	
Furniture & equipment	196,904	27,502	48,560		175,846	
Total Accumulated Depreciation	2,021,506	212,243	48,560		2,185,189	
Depreciable Capital Assets, net	\$ 2,256,571	\$ (20,350)	\$ -		\$ 2,236,221	
Total Capital Assets, net	\$ 2,482,225	\$ 65,825	\$ -		\$ 2,548,050	

NOTE 6 – INTERFUND TRANSFERS

Transfer To Other Funds	Interfund Transfers In		
	General Fund	ACO Fund	Total
Pre-Need Fund	\$ -	\$ 11,640	\$ 11,640
ACO Fund	115,000	-	115,000
Total Interfund Transfers Out	\$ 115,000	\$ 11,640	\$ 126,640
The ACO Fund transferred to the General Fund for capital maintenance projects, in the amount of		\$	115,000
The Pre-Need Fund transferred to the ACO Fund for at-need services in the amount of			11,640
Total		\$	126,640

PALM SPRINGS CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2017

NOTE 7 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2017, consisted of the following:

	General Fund
Payroll related	\$ 6,746
Compensated absences	14,526
Vendors payable	29,102
Other liabilities	2,014
Total	\$ 52,388

NOTE 8 – FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Pre-Need Fund	ACO Fund	Endowment Care Fund	Total Govt Funds
Non-spendable					
Non-restricted					
Reserve for revolving cash	\$ 15,300	\$ -	\$ -	\$ -	\$ 15,300
Restricted, Permanent Fund Balance	-	-	-	3,585,916	3,585,916
Total Non-spendable	15,300	-	-	3,585,916	3,601,216
Spendable					
Assigned					
Endowment care interest/earnings	-	-	-	1,942,348	1,942,348
Capital projects	-	-	1,058,821	-	1,058,821
Pre-need	-	934,394	-	-	934,394
Total Assigned	-	934,394	1,058,821	1,942,348	3,935,563
Unassigned	61,540	-	-	-	61,540
Total	\$ 76,840	\$ 934,394	\$ 1,058,821	\$ 5,528,264	\$ 7,598,319

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District’s Minimum Fund Balance Policy imply’s a reserve (from both the General Fund and ACO Fund), consisting of unassigned and assigned amounts, equal to no less than two months of General Fund operating expenditures, or 17 percent of General Fund expenditures and other financing uses.

PALM SPRINGS CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2017

NOTE 9 – RETIREMENT PLANS

The District sponsors a 403(b) and a SEP retirement plan. The plans are for full-time employees after one year of service. The contribution amount by the District is seven percent of annual gross salary. The contribution to the plans for the year ended June 30, 2017 was \$18,284.

NOTE 10 – POST EMPLOYMENT HEALTH CARE PLAN AND OTHER POST EMPLOYMENT BENEFITS (OPEB)

10 - A. Plan Description

The Postemployment Benefit Plan (the “Plan”) is a single-employer defined benefit healthcare plan administered by the Palm Springs Cemetery District. The Plan offers the following benefits by bargaining unit:

Management

Benefit types provided	Medical only
Duration of Benefits	Lifetime
Required Service	1 year*
Minimum Age	None
Dependent Coverage	Yes
District Contribution %	100%
District Cap	Composite medical rate

*full time service in the year preceding retirement

**Employees retiring prior to age 55 are entitled to 50% of the cap for a maximum of five years

10 - B. Funding Policy

The contribution requirements of Plan members and the District are established and may be amended by the District and District’s bargaining units. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2017, the District contributed \$11,980 to the Plan, all of which was used for current premiums.

PALM SPRINGS CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2017

10 - C. Annual OPEB Cost and Net OPEB Obligation

The District’s annual OPEB cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District’s net OPEB obligation to the Plan:

Annual required contribution	\$	63,094
Interest on net OPEB obligation		22,123
Adjustment to annual required contribution		(85,217)
<hr/>		
Annual OPEB cost (expense)		-
Contributions made		(11,980)
Decrease in net OPEB obligation		(11,980)
Net OPEB obligation, beginning of the year		553,075
<hr/>		
Net OPEB obligation, end of the year	\$	541,095

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 is as follows:

Fiscal Year	Annual OPEB COST	Percentage Contributed	Net OPEB Obligation
2015-16	-	0%	553,075
2016-17	-	0%	541,095

10 - D. Funded Status and Funding Progress

As of July 1, 2015, the most recent actuarial valuation date, the plan was not funded. This results in an unfunded actuarial accrued liability (UAAL) of \$553,075. The covered payroll (annual payroll of active employees covered by the plan) was \$273,509.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

PALM SPRINGS CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2017

10 - E. Actuarial Methods and Assumptions

Projections and benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2015, actuarial valuation, the “projected unit credit” actuarial cost method was used. The actuarial assumptions included an inflation rate of five percent per year; a four percent investment return on plan assets. For medical costs a five to eight percent trend rate was used based on the conclusion that, while medical trend will continue to be cyclical, the average increase over time cannot continue to outstrip general inflation by a wide margin. A projected unit credit method was used to allocate amortization cost by year. Because the entire amount was accrued, there is no amortization period.

NOTE 11 – PARTICIPATION IN JOINT POWERS AUTHORITIES

The District is a member of one JPAs, SDRMA. SDRMA provides property and liability as well as workers’ compensation insurance. The relationship is such that the JPAs are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these financial statements. Audited financial statements are available from the respective entities.

During the year ended June 30, 2017, the District made payments of \$23,742 to SDRMA.

NOTE 12 – LAND LEASE

On May 14, 1998, (subsequently extended to commence July 14, 1999) the District entered into an agreement to lease forty acres of land to Da Vall Center, LLC a California Limited Liability Company for sixty-five years with a twenty-five year option.

Guaranteed minimum rent is as follows:

- ❖ 1st eighteen months Legal fees to review lease (estimated at \$2,500)
- ❖ 2nd eighteen months \$15,000
- ❖ 4th and 5th year \$30,000 annually
- ❖ 6th and 7th year \$40,000 annually
- ❖ 8th year and thereafter \$55,620 annually

Land lease income amounted to \$61,648 for the year ended June 30, 2017. The lease provides for CPI adjustments: upward at the end of fifteen years and upward or downward at the end of each ten-year period thereafter.

PALM SPRINGS CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2017

NOTE 13 – PROMISSORY NOTE

On November, 10 2016, the District issued an unsecured drawdown promissory note to the Pet Memorial Park Cemetery (“Pet Cemetery”), up to an amount of \$25,000 (drawdown in \$5,000 increments) to the Palm Springs Pet Cemetery, a potential component unit of the District. The note matures on November 10, 2021, and an interest rate of 1.0% in the first year, up to the average rate of return on District’s investments, subsequently. The note was issued to provide start-up capital to the Pet Cemetery. Repayment requirements are that a principal and interest be made annually on November 10.

As of June 30, 2017, the Pet Cemetery had drawn down \$5,111.

NOTE 14 – LEASE AGREEMENT

On November 10, 2016 the District entered into a lease with the Pet Cemetery, where the District is leasing some of its facilities and land to the Pet Cemetery at an amount of \$1.00 per year, for a period of ten years, but may be extended to five additional years.

NOTE 15 – PRIOR PERIOD RESTATEMENT

In previous years the District maintained an interfund balance between the ACO Fund and the General Fund. However, the original purpose had to do with the new building construction, which has since been completed several years prior. Therefore, the interfund balances have been eliminated.

Additionally, it was discovered there are unearned revenues with respect to marker settings.

See the resulting changes are as follows:

	General Fund	ACO Fund
Fund Balance, June 30, 2016	\$ (49,787)	\$ 1,401,545
Increase in:		
Unearned Revenue	(33,443)	-
Decrease in:		
Due (From)/To Other Funds	153,109	(153,109)
Restated Beginning Fund Balance	\$ 69,879	\$ 1,248,436

REQUIRED SUPPLEMENTARY INFORMATION

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PALM SPRINGS CEMETERY DISTRICT

**GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances -</u>
	<u>Original</u>	<u>Final</u>		<u>Positive /</u> <u>(Negative)</u>
				<u>Final to Actual</u>
REVENUES				
Property taxes	\$ 288,544	\$ 288,544	\$ 300,323	\$ 11,779
Charges for services	554,995	554,995	466,205	(88,790)
Revenue from use of money	110,435	110,435	61,895	(48,540)
Miscellaneous	-	-	27,238	27,238
Total Revenues	953,974	953,974	855,661	(98,313)
EXPENDITURES				
Current				
Salaries	309,141	309,141	317,071	(7,930)
Benefits	156,426	156,426	133,215	23,211
Materials and supplies	58,263	58,263	38,840	19,423
Services	497,839	497,839	469,463	28,376
Total Expenditures	1,021,669	1,021,669	958,589	63,080
Excess (Deficiency) of Revenues				
Over Expenditures	(67,695)	(67,695)	(102,928)	(35,233)
Other Financing Sources (Uses):				
Transfers In	40,000	40,000	115,000	75,000
Other Uses	-	-	(5,111)	(5,111)
Net Financing Sources (Uses)	40,000	40,000	109,889	69,889
NET CHANGE IN FUND BALANCE	(27,695)	(27,695)	6,961	34,656
Fund Balance - Beginning	69,879	69,879	69,879	
Fund Balance - Ending	\$ 42,184	\$ 42,184	\$ 76,840	\$ 34,656

PALM SPRINGS CEMETERY DISTRICT

PRE-NEED FUND – BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variances -
	Original	Final		Positive / (Negative)
				Final to Actual
REVENUES				
Charges for services	\$ -	\$ -	\$ 125,508	\$ 125,508
Revenue from use of money	-	-	12,648	12,648
Total Revenues	-	-	138,156	138,156
EXPENDITURES				
Current				
Services	-	-	10,039	(10,039)
Excess (Deficiency) of Revenues				
Over Expenditures	-	-	128,117	128,117
Other Financing Sources (Uses):				
Transfers Out	-	-	(11,640)	(11,640)
NET CHANGE IN FUND BALANCE	-	-	116,477	116,477
Fund Balance - Beginning	817,917	817,917	817,917	
Fund Balance - Ending	\$ 817,917	\$ 817,917	\$ 934,394	\$ 116,477

PALM SPRINGS CEMETERY DISTRICT

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFIT (OPEB) FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2017**

Actuarial Valuation Date	Actuarial Valuation of Plan Assets (a)	Actuarial Accrued Liability ("AAL") - Projected Unit Credit (b)	Unfunded ALL ("UAAL") (b - a)	Funded Ratio (a / b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
7/1/2015	\$ -	\$ 559,776	\$ 559,776	\$ -	\$ 273,509	205%

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OTHER INDEPENDENT AUDITORS' REPORTS

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INDEPENDENT AUDITOR'S 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
Palm Springs Cemetery District
Cathedral City, California

We have audited, 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, the financial statements of the governmental activities and each major fund of Palm Springs Cemetery District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Palm Springs Cemetery District's basic financial statements, and have issued our report thereon dated January 10, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Palm Springs 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 Palm Springs Cemetery District's internal control. Accordingly, we do not express an opinion on the effectiveness of Palm Springs 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 entity'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 Palm Springs Cemetery District's financial statements are free from 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dennis Cooper & Associates C.P.A.s

January 10, 2018

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