

**SUISUN FAIRFIELD ROCKVILLE CEMETERY DISTRICT OF SOLANO COUNTY  
FINANCIAL STATEMENTS  
JUNE 30, 2016**

**SUISUN FAIRFIELD ROCKVILLE CEMETERY DISTRICT OF SOLANO COUNTY**

**TABLE OF CONTENTS**

Independent Auditor’s Report	1
Management Discussion and Analysis	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	11
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position	12
Statement of Revenues, Expenditures and Changes in Fund Balances	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	14
Notes to the Financial Statements	15
Required Supplementary Information:	
Budgetary Comparison Schedule:	
General Fund	28
Schedule of the Plan’s Proportionate Share of the Net Pension Liability	29
Schedule of District Contributions	30
Note to the Required Supplementary Information	31
Report On Internal Control over Financial Reporting	32

# LARRY BAIN, CPA

An Accounting Corporation

---

2148 Frascati Drive, El Dorado Hills, CA 95762 / 916.601-8894

[lpbain@sbcglobal.net](mailto:lpbain@sbcglobal.net)

## **INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
Suisun Fairfield Rockville Cemetery District of Solano County  
Fairfield, CA

We have audited the accompanying financial statements of the governmental activities and each major fund which comprise the basic financial statements of Suisun Fairfield Rockville Cemetery District of Solano County (the District) as of and for the fiscal year ended June 30, 2016, 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 the 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 an opinion 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes 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 District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

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

### **Opinion**

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Suisun Fairfield

Rockville Cemetery District of Solano County as of June 30, 2016, and the changes in financial position, of those activities and funds for the fiscal year then ended in conformity with U.S. generally accepted accounting principles.

## **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 3–8 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.

The required supplementary information other than Management Discussion and Analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

## **Other Information**

We have also issued our report dated September 16, 2017 on our consideration of the District's internal control over financial reporting. That report should be read in conjunction with this report in considering our audit.

*Larry Bain, CPA,*  
*An Accounting Corporation*  
September 16, 2017



**Suisun Fairfield Rockville Cemetery District of Solano County**  
**Required Supplementary Information**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2016**

This section of the Suisun Fairfield Rockville Cemetery District's annual financial report presents an analysis of the District's financial performance during the fiscal year ended June 30, 2016. This information is presented in conjunction with the audited basic financial statements, which follows this section.

**FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2016**

- The assets of the District exceeded liabilities at the close of the 2015-2016 fiscal year by \$7,865,880 (net position), of this amount, \$3,325,844 (unrestricted net position) may be used to meet ongoing obligations to constituents and creditors, and \$2,706,853 is invested in capital assets, net of related debt.
- As of June 30<sup>th</sup> 2016 the District's governmental funds reported combined fund balances of \$5,056,228. All of the fund balance is either restricted for imprest cash, perpetual care and prepaid burials or committed to capital projects.
- At the end of the fiscal year, fund balance for the general fund was \$1,000,982 or 225% of the total general fund expenditures.
- The Districts total cash and investments balance increased by \$205,963 to \$5,411,895
- Interest Income of \$40,215 is lower by \$30,138 than previous year
- Property Tax Income: \$1,239,936. Up \$112,214 from previous year.
- Service Revenue Income: \$380,562. Up \$74,475 from previous year.
- Pre-need liability: \$383,635 increased \$51,459 over the start of the year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components, government – wide financial statements, fund financial statements and notes to the basic financial statements. This report also includes additional required supplementary information in addition to the basic financial statements.

**REQUIRED FINANCIAL STATEMENTS**

**Government – Wide Financial Statements** are designed to provide readers with a broad overview of District finances, in a manner similar to a private-sector business.

The *Statements of Net Position* include information on the District's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statements of Activities* presents information showing how net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are

reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

**Suisun Fairfield Rockville Cemetery District of Solano County**  
**Required Supplementary Information**  
**Management's Discussion and Analysis (Continued)**  
**June 30, 2016**

Both of these government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a portion of their costs through user fees and charges (business type activities). The governmental activities of the District include general government-Cemetery Service. The District has no business- type activities.

**Fund Financial Statements** are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and to demonstrate finance-related legal compliance. All of the funds of the District can be divided into one category: governmental funds.

**Governmental funds** – *are* used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as of balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changed in fund balances provide a reconciliation to facilitate comparison between governmental funds and governmental activities.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the District's budgetary comparative information for the general fund.

**Suisun Fairfield Rockville Cemetery District of Solano County  
Required Supplementary Information  
Management's Discussion and Analysis (Continued)  
June 30, 2016**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**NET POSITION**

A summary of the Districts Statement of Net Position is presented below

	Condensed Statement of Activities	
	Fiscal Year June 30, 2016	Fiscal Year June 30, 2015
Assets:		
Cash and investments	\$ 4,800,784	\$ 5,205,932
Accounts receivables	93,798	3,077
Other current assets	49,984	49,984
<b>Total Current Assets</b>	<b>4,944,566</b>	<b>5,258,993</b>
Restricted cash and investments	611,111	
Capital assets, net	2,706,853	2,804,612
Total Assets	<u>\$ 8,262,530</u>	<u>\$ 8,063,605</u>
Deferred outflows-pensions	<u>\$ 639,410</u>	<u>\$ 127,967.00</u>
Liabilities:		
Accrued expense	\$ 40,882	\$ 76,641
Other liabilities	396,144	337,348
<b>Total Current Liabilities</b>	<b>437,026</b>	<b>\$ 413,989</b>
Other long term liabilities	545,957	438,224
Total Liabilities	<u>\$ 982,983</u>	<u>\$ 852,213</u>
Deferred inflows-pensions	<u>\$ 53,077</u>	<u>\$ 156,983</u>
Net Position:		
Net invested in capital replacement and restricted perpetual care	\$ 4,540,036	\$ 4,491,494
Unrestricted	3,325,844	2,690,882
<b>Total Net Position</b>	<u><b>\$ 7,865,880</b></u>	<u><b>\$ 7,182,376</b></u>

As the above table indicates, total assets increased \$198,925 from \$8,063,605 to \$8,262,530 during the fiscal year ended June 30, 2016. This is due to favorable operations for the current year resulting in an increase to the District's cash balance.

Total liabilities increased \$130,770 from \$852,213 to \$982,983. This is largely due to long term pension liability.

Net position increased by a net of \$683,504.

**Suisun Fairfield Rockville Cemetery District of Solano County**  
**Required Supplementary Information**  
**Management's Discussion and Analysis (Continued)**  
**June 30, 2016**

**Statement of Activities**

A summary of the Districts Statement of Activities is presented below:

	Condensed Statement of Activities	
	Fiscal Year June 30, 2016	Fiscal Year June 30, 2015
	Governmental	Governmental
	Activities	Activities
Program Revenues		
Charges for services	\$ 380,562	\$ 306,087
Operating grants and contributions	11,133	
General Revenue		
Property Taxes	1,239,936	1,127,722
Contributions to permanent endowment	64,550	49,500
Interest and investment income	40,215	70,353
Rental income	27,900	29,300
Other	2,500	
Total Revenue	1,766,796	1,582,962
Expenses:		
Governmental Activities		
Cemetery Services	1,192,732	1,196,372
Change in net position from operations	574,064	386,590
Prior period adjustments/restatements	109,440	(392,964)
Total change in net position	\$ 683,504	\$ (6,374)

The statement of activities, identify the various revenue and expense items which affect the change in net position.

As the information indicates the \$574,064 change in net position before to prior period adjustments from June 30, 2015 to June 30, 2016 operations, was due to an increase in governmental revenues.

Property taxes show an increase now that the housing recession is waning, endowment fees (perpetual care) and charges for services increased due to an increase in services and merchandise provided by the District.

**Suisun Fairfield Rockville Cemetery District of Solano County**  
**Required Supplementary Information**  
**Management's Discussion and Analysis (Continued)**  
**June 30, 2016**

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

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

**Governmental funds.** The general government functions are contained in the general fund and the permanent fund. The focus of the District's governmental funds is to provide information on near-term inflow, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the fiscal year, the District's governmental funds reported total ending fund balances of \$1,514,695. Fund balances are restricted committed or assigned. The perpetual care fund, fund balance is restricted to show the portion that cannot be used for maintenance and the rest represents unspent interest revenue that has accrued in the account, which is assigned for perpetual care.

**Budgetary Highlights**

General fund revenues for the 2015-2016 fiscal year were budgeted at \$1,377,109 (final amended budget). The actual revenues were \$1,672,513. The \$295,404 increase of actual revenue over the budget was due to greater property tax than budgeted and more plot sales than anticipated.

General fund expenditures were budgeted at \$1,438,758. The actual amount expended was \$1,133,454 or \$305,304 less than the final amended budget. The favorable expenditure variance was due to lower expenditures compared to those budgeted with the largest variance in services and supply.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

	<b>CAPITAL ASSETS</b>	
	<b>(net of accumulated depreciation)</b>	
	<b>Governmental Activities</b>	
	<b>6/30/2016</b>	<b>6/30/2015</b>
Land	\$ 943,864	\$ 943,864
Construction in Progress		15,550
Infrastructure	466,654	498,191
Structures and site improvements	1,212,377	1,268,268
Equipment	83,958	78,740
Total	\$2,706,853	\$ 2,804,613

As of June 30, 2016 the District's investment in capital assets totaled \$2,722,404 net of accumulated depreciation. The investment in capital assets includes cemetery district, land, site improvements, buildings and improvements, and equipment. The capital assets are presented in the government – wide statement of net position. Additional detail is presented in the notes to the financial statements.

**Suisun Fairfield Rockville Cemetery District of Solano County**  
**Required Supplementary Information**  
**Management's Discussion and Analysis (Continued)**  
**June 30, 2016**

**LONG – TERM DEBT**

In the fiscal year ending June 30, 2016, the Districts had no long-term debt.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

In the 2016/17 fiscal year, we plan to complete the Retaining Wall Project and install granite columns in the baby niche area to hold vases for flowers. We plan to survey and develop cemetery land to provide additional gravesites for future interments. The development will include grading, sod, irrigation and landscaping next to the Court of Serenity at Suisun Fairfield Cemetery and in Section F of the Rockville Cemetery. This will add another premium cremation and upright marker area in both cemetery sites. We will also continue with designing plans to remodel the Rockville Cemetery Office and install a new septic system.

**ADDITIONAL FINANCIAL INFORMATION**

This financial report is designed to provide the District's customers, investors and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the Solano County Cemetery District at, 4219 Suisun Valley Rd., Suisun Valley, CA 94534.

	<u>Governmental Activities</u>
Assets	
Cash and investments	\$ 4,800,184
Imprest cash	600
Accounts receivables	93,020
Due from other agency	778
Prepaid expense	17,091
Inventory	32,893
Non-current assets	
Restricted cash and investments	611,111
Capital assets:	
Land	943,864
Construction in progress	-
Infrastructure	921,845
Structures and improvements	2,031,579
Equipment	521,981
Less: accumulated depreciation	<u>(1,712,416)</u>
Total capital assets	<u>2,706,853</u>
Total Asset	<u>8,262,530</u>
Deferred Outflows of Resources	
Deferred outflows-pensions	<u>639,410</u>
Total Deferred Outflows of Resources	<u>\$ 639,410</u>
Liabilities	
Current liabilities:	
Accrued expense	\$ 40,882
Preneed deposits	383,635
Other liabilities	1,000
Due within one year	11,509
Noncurrent liabilities:	
Due in more than one year	<u>545,957</u>
Total Liabilities	<u>982,983</u>
Deferred Inflows of Resources	
Deferred inflows-pensions	<u>53,077</u>
Total Deferred Inflows of Resources	<u>53,077</u>
Net Position	
Net Investment in Capital Assets	2,706,853
Restricted for:	
Perpetual care:	
Expendable	1,222,072
Nonexpendable	611,111
Unrestricted	<u>3,325,844</u>
Total Net Position	<u>\$ 7,865,880</u>



	<u>Expenses</u>	<u>Program Revenues</u>		<u>Total</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
Cemetery services	<u>\$ 1,192,732</u>	<u>\$ 380,562</u>	<u>\$ 11,133</u>	<u>\$ (801,037)</u>
Total Governmental Activities	<u>\$ 1,192,732</u>	<u>\$ 380,562</u>	<u>\$ 11,133</u>	<u>(801,037)</u>

General Revenues:

    Taxes:

Property tax, levied for general purposes	1,239,936
Contributions to permanent endowment fund	64,550
Investment income	40,215
Rental income	27,900
Other	<u>2,500</u>
Total general revenues	<u>1,375,101</u>
Change in Net Position	<u>574,064</u>
Net Position - beginning	7,182,376
Prior Period Adjustments	<u>109,440</u>
Net Position - ending	<u>\$ 7,865,880</u>

	General Fund	Permanent Fund Perpetual Care	Totals
<b>Assets</b>			
Cash and investments	\$ 3,579,312	\$ 1,220,872	\$ 4,800,184
Imprest cash	600		600
Restricted cash and investments		611,111	611,111
Account Receivable	91,820	1,200	93,020
Due from other agency	778		778
Prepaid expense	17,091		17,091
Inventory	32,893		32,893
Total Assets	<u>\$ 3,722,494</u>	<u>\$ 1,833,183</u>	<u>\$ 5,555,677</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accrued expense	\$ 40,882	\$ -	\$ 40,882
Preneed deposits	383,635		383,635
Other liabilities	1,000	-	1,000
Total Liabilities	<u>425,517</u>	<u>-</u>	<u>425,517</u>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue-installment sales	73,932		73,932
<b>Fund balances</b>			
Nonspendable:			
Imprest cash	600	-	600
Perpetual care		611,111	611,111
Prepaid burials	383,635		383,635
Assigned for perpetual care	-	1,222,072	1,222,072
Assigned for general fund	2,450,979		2,450,979
Unassigned	387,831		387,831
Total Fund Balances	<u>3,223,045</u>	<u>1,833,183</u>	<u>5,056,228</u>
Total Liabilities, Fund Balances and deferred inflows of resources	<u>\$ 3,722,494</u>	<u>\$ 1,833,183</u>	<u>\$ 5,555,677</u>



Total Fund Balances of governmental funds	\$ 5,056,228
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	2,706,853
Compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds.	(70,288)
Capital leases are not due and payable in the current period and therefore are not reported in the governmental funds.	-
The net pension liability and deferred inflows/outflows of resources are not due and payable in the current period and therefore are not reported in the governmental funds.	99,155
Certain revenues received after ninety days from the end of the fiscal year are recorded as deferred revenue in the funds and as revenues in the government wide statement.	<u>73,932</u>
Net Position of governmental activities	<u>\$ 7,865,880</u>

	General Fund	Permanent Fund Perpetual Care	Totals
<b>Revenues</b>			
Property taxes	\$ 1,239,936	\$ -	\$ 1,239,936
Use of money and property	38,382	29,733	68,115
Intergovernmental	11,133		11,133
Charges for current services	380,562	64,550	445,112
Miscellaneous	2,500	-	2,500
<b>Total Revenues</b>	<b>1,672,513</b>	<b>94,283</b>	<b>1,766,796</b>
<b>Expenditures</b>			
Cemetery Services			
Employee services	804,166	-	804,166
Professional services	84,663	-	84,663
Utilities	38,865	-	38,865
Maintenance	35,576	-	35,576
Purchases for resale	35,065		35,065
Insurance	30,581		30,581
Transportation and travel	18,337		18,337
Household	10,571		10,571
Communications	9,351		9,351
Supplies	7,086		7,086
Miscellaneous	6,903		6,903
Memberships	3,707		3,707
Special district expense	4,985		4,985
Small tools	2,855		2,855
Non-capitalized expense	3,868		3,868
Capital Outlay	36,875		36,875
<b>Total Expenditures</b>	<b>1,133,454</b>	<b>-</b>	<b>1,133,454</b>
Excess of revenues over expenditures before special item	539,059	94,283	633,342
Special item-payoff unfunded pension liability	(422,118)		(422,118)
Net Change in Fund Balance	116,941	94,283	211,224
Fund Balances, July 1, 2015	3,106,104	1,738,900	4,845,004
Fund Balances, June 30, 2016	<u>\$ 3,223,045</u>	<u>\$ 1,833,183</u>	<u>\$ 5,267,451</u>

Net Change in Fund Balances - Total Governmental Funds \$ 211,224

Amounts reported for governmental activities in the Statement of Activities differs from the amounts reported in the Statement of Revenues, Expenditures and Changes in Fund Balances because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities. The costs of those assets is allocated over their estimated useful lives as depreciation expense or are allocated to the appropriate functional expense when the cost is below the capitalization threshold. This activity is reconciled as follows:

Capital outlay	36,875
Current year depreciation expense	(119,084)

Compensated absences reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in governmental funds. 23,018

Net pension liability and deferred inflows/outflows of resources reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in governmental funds. 422,031

Change in Net Position of governmental activities \$ 574,064

## Note 1: Summary of Significant Accounting Policies

The financial statements of the Suisun Fairfield Rockville Cemetery District of Solano County (District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

### A. Reporting Entity

The Suisun Fairfield Rockville Cemetery District (District) of Solano County was formed on October 1, 2007 as

a result of the consolidation of the Suisun Fairfield Cemetery District and Rockville Cemetery District. The Rockville Cemetery District was originally organized on March 2, 1925 and the Suisun Fairfield Cemetery District was originally organized on August 11, 1924.

The consolidated District continues to operate the two public cemeteries, the Rockville Cemetery and the Suisun Fairfield Cemetery, under sections 8125 to 8137 and 9000 to 9093 of the Health and Safety Code for the State of California.

The Board of Trustees consisting of seven (7) members, serving four-year terms, governs the District. The Board of Supervisors of Solano County approves the appointment of each Trustee.

### Endowment Fund

In August 1984, California Assembly Bill No. 3245 amended section 8952 of the Health and Safety Code, requiring cemetery districts to establish an endowment care fund. The endowment fund accounts for the receipt of endowment deposits for each burial right sold, and accumulates interest.

The District has defined its reporting entity in accordance with accounting principles generally accepted in the United States of America, which provides guidance for determining which governmental activities, organizations and functions should be included in the reporting entity. In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. The primary criterion for including a potential component unit within the reporting entity is the governing body's financial accountability. A primary governmental entity is financially accountable if it appoints a voting majority of a component unit's governing body and it is able to impose its will on the component unit, or if there is a potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A primary government may also be financially accountable if a component unit is fiscally dependent on the primary governmental entity regardless of whether the component unit has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board

Based upon the aforementioned oversight criteria, the District does not have any component units.

Note 1: Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned or, for property tax revenues, in the period for which levied. Expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible in the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the government considers revenues to be available if collected within 90 days of the end of the current fiscal year. Resources not available to finance expenditures and commitments of the current period are recognized as deferred revenue or as a reservation of fund balance. The District considers property taxes available if they are collected within sixty-days after year-end. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt, as well as compensated absences and claims and judgments are recorded only when payment is due. General capital acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financial sources.

C. Basis of Presentation

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government.

The statement of activities demonstrates the degree to which the program expenses are offset by program revenues. Program expenses include direct expenses, which are clearly identifiable with a specific function. Program revenues include 1) charges paid by the recipient of goods or services offered by the programs and 2) 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, are presented instead as general revenues.

When both restricted and unrestricted net position are available, unrestricted resources are used only after the restricted resources are depleted.

Fund Financial Statements

The fund financial statements provide information about the District's funds. Separate statements for each fund category are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in separate columns.

The District reports the following major governmental funds:

General Fund - This fund accounts for all the financial resources not required to be accounted for in another fund. This fund consists primarily of general government type activities.

Permanent Fund – This fund accounts for funds deposited for perpetual care of the District cemetery. The principle portion of these deposits is not available for use by the District.

The principle portion of the endowment deposits are recorded as restricted cash and restricted equity on the statement of net position and balance sheet of the District. The interest earned on the endowment care deposits is available for use by the District for the maintenance of the cemetery grounds.

Note 1: Summary of Significant Accounting Policies (Continued)

D. Budgetary Reporting

The District prepares an annual operating and capital budget, which is approved and adopted by the Board of Trustees. The budget serves as an approved plan to facilitate financial control and operational evaluation.

E. Use of Estimates in the Preparation of Financial Statements:

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

F. Cash and Investments

The District deposits its cash in the Solano County Treasury. The County maintains a cash and investment pool that is available to all funds for which the County Treasury is the depository, for the purpose of increasing interest earnings through investment activities. In accordance with the requirements of the California State Government Code, a Treasury Oversight Committee has been formed to provide oversight for the County's *Investment Policy*, and arranges for the annual audit of the cash and investment pool. Copies of the Treasurer-Tax Collector's monthly reports and annual report can be obtained from the Treasurer-Tax Collector's Office.

Investments are reported at fair value. Fair value represents the amount the District can reasonably expect to receive for an investment in a current sale between a willing buyer and seller. The fair value of investments is obtained from custodial investments. The fair value of the District's investments in the Solano County investment pool is determined on an amortized cost basis which approximates fair value.

G. Capital Assets

Capital assets have been acquired for general District purposes. Assets purchased are recorded as expenditures in the governmental funds and capitalized at cost or estimated cost where no historical records are available. Donated capital assets are valued at their estimated fair market value on the date donated. The District defines capital assets as assets with an initial individual cost of more than \$1,500 and an estimated useful life in excess of three years. Capital assets are depreciated in the government-wide statements using the straight-line method over their estimated useful lives. The estimated useful lives are as follows:

Structures and improvements	30 years
Computer Equipment	5 years
Office Equipment	3-7 years
Specialty equipment and vehicles	3-20 years
Infrastructure	10-12 years

Note 1: Summary of Significant Accounting Policies (Continued)

H. Compensated Absences

District employees accumulate unpaid vested benefits for compensatory time-off and vacation which is reported as a liability of the District. Vacation time accrues at varying amounts based on length of service up to a maximum of 160 to 320 hours depending on years of service. Sick leave accrues at a rate of 96 hours a year. The accumulated benefits will be liquidated in future year as employees elect to use them. Upon termination or retirement, an employee will receive compensation for unused vacation. For sick leave an employee will have the option to receive compensation for unused hours up to 500 hours and/or have all or a portion of the hours applied to PERS years of service credits for retirement, disability or death.

I. Net Position

Net position comprises the various net earnings from operating income, non-operating revenues and expenses and capital contributions. Net position is classified in the following three components:

*Net Investment in Capital Assets*-This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets (if any). If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment and capital asset. 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 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 “restricted” or “net investment in capital assets.”

When both restricted and unrestricted net position are available, unrestricted resources are used only after the restricted resources are depleted.

J. Fund Balances – Governmental Funds

The District adopted a policy for GASB Statement No. 54, Fund Balance Reporting. GASB 54 establishes fund balance classifications that comprise a hierarchy based on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. While the classifications of fund balance in the District’s various governmental funds were revised, the implementation of this standard had no effect on total fund balance.

K. Property Tax Revenue

Solano County, through the Auditor-Controller’s Office and the Treasurer-Tax Collector, is responsible for assessing, collecting and distributing property taxes in accordance with enabling legislation. Property taxes, in general, attach as an enforceable lien on property on January 1. Taxes are levied on July 1 and are payable in two installments, November 1 and February 1. The County apportions property taxes according to the alternative method of distribution known as the Teeter Plan. Under the Teeter Plan, the current year’s secured property tax levy is distributed to participating agencies within the County without consideration of delinquency factors. The district recognizes property taxes as revenue when the County distributes them.

Note 2: Cash and Investments:

Cash and investments at June 30, 2016, consisted of the following:

Checking account	\$ 64,189
Imprest account	600
Cash and investments with Fiscal Agent	1,586,188
Cash and investment in the County Treasurer	<u>3,760,918</u>
Total cash and investments	<u>\$ 5,411,895</u>

A. Investments Authorized by the California Government Code and the Entity’s Investment Policy

The table below identifies the **investment types** that are authorized for the Solano County Cemetery District by the California Government Code (or the District’s investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District’s investment policy, where more restrictive) that address **interest rate risk, credit risk and concentration of credit risk**. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District investment policy.

CGC Section	Authorized Investment Type	Maximum Maturity	Authorized Limit (%)	Required Rating
53601 (a)	Local Agency Bonds	5 years	None	None
53601 (b)	US Treasury Bills, Notes or Bonds	5 years	None	None
53601 (c)	State Registered Warrants, Notes, or Bonds	5 years	None	None
53601 (d)	Notes and bonds of other Local California Agencies	5 years	None	None
53601 (e)	US Agencies	5 years	None	None
53601 (f)	Bankers Acceptances	270 days	40%	None
53601 (g)	Prime Commercial Paper	180 days	15% or 30%	A 1/P1
53601 (h)	Negotiable Certificates of Deposit	5 years	30%	None
53601 (i)	Repurchase and Reverse Purchase Agreements	1 Year/92 Days	None/20%	None
53601 (j)	Medium Term Corporate Notes	5 years	30%	A
53601 (k)	Money Market Mutual Funds and Mutual Funds	5 years	20%	2-AAA
53601 (m)	Collateralized Bank Deposits	5 years	None	None
53601 (n)	Mortgage Pass-Through Securities	5 years	20%	AA
53635 (a)	County Pooled Investment Funds	N/A	None	None
6500 e t s e q	California Asset Management Program (CAMP)	N/A	None	None
16429.1	Local Agency Investment Fund (LAIF)	N/A	None	None

**The Principal portion of investments held for endowment care is limited to the following investment types:**

CGC Section	Authorized Investment Type	Maximum Maturity	Authorized Limit (%)	Required Rating
9066 (a)	Securities and obligation set forth in CGC Section 53601			
9066 (b)	US Treasury Bill, Notes or Bonds	None	None	None
9066 (c)	Notes and Bonds of other Local California Agencies	None	None	None
9066 (d)	State Registered Warrants, Notes, or Bonds	None	None	None
9066 (e)	Corporate Notes	None	None	None
9066 (f)	Certificates of Deposit (FDIC Insured)	None	None	None
9066 (g)	Savings & Loan Certificates (FSLIC Insured)	None	None	None

Note 2: Cash and Investments (Continued):

#### B. Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of and investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investment maturity:

Investment Type	Total Fair Values	Term to Maturity			
		12 Months or less	13 to 24 Months	25 to 60 Months	Greater than 60 Months
Solano County Investment Pool	3,760,918	\$ 3,760,918	\$ -	\$ -	\$ -
Medium Term Corporate Notes	273,375	60,348	100,810	112,217	
Government Bonds	449,548		49,915	175,068	224,565
Government Asset Backed/CMO Securities	31,894				31,894
Certificate of Deposit	417,618	107,394	25,139	285,085	
Foreign Bonds	80,296			80,296	
Mutual Funds	294,211	294,211			
Cash and Sweep Balances	39,246	39,246			
	<u>\$ 5,347,106</u>	<u>\$ 4,262,117</u>	<u>\$ 175,864</u>	<u>\$ 652,666</u>	<u>\$ 256,459</u>

C. Concentrations of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The following presentation is the minimum rating required (where applicable) the California Government Code, the Districts investment policy, and the actual Moody's rating as of year-end for each investment type:

Investment Type	Total Fair Values	Minimum Rating	Actual Ratings at Year-end				
			Aaa	A1	A2	A3	Not Rated
Solano County Investment Pool	\$ 3,760,918	N/A	\$ -	\$ -	\$ -	\$ -	\$ 3,760,918
Medium Term Corporate Notes	273,375	A		50,524	81,682	141,169	
Government Bonds	449,548	AAA	449,548				
Government Asset Backed/CMO Securities	31,894	N/A					31,894
Certificate of Deposit	417,618	N/A					417,618
Foreign Bonds	80,296	A		80,296			
Mutual Funds	294,211	N/A					294,211
Cash and Sweep Balances	39,246	N/A					39,246
	<u>\$ 5,347,106</u>		<u>\$ 449,548</u>	<u>\$ 130,820</u>	<u>\$ 81,682</u>	<u>\$ 141,169</u>	<u>\$ 4,543,887</u>

Note 2: Cash and Investments (Continued):

D. Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposit or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment of collateral securities that are in the possession of another party. The California Government Code and the District's investment policy

do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits; The California Government Code requires that a financial institution secured 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 government unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the District's deposits by pledging first deed mortgage notes having a value of 150% of the secured public deposits.

At June 30, 2016, the District deposits totaled \$64,189 subject to coverage by the Federal Depository Insurance or covered by collateral held in the pledging bank's trust department in the District's name.

#### E. Demand Deposits

In accordance with the California Government Code, the District established a revolving fund with a bank in order to meet its operating needs. The District is permitted to establish a revolving fund that may not exceed 110% of 1/12 of the District's budgeted expenditures. At June 30, 2016 cash deposited in the District's revolving fund totaled \$64,189.

#### F. Investment in Government Pool

Investments are accounted for in accordance with the provisions of GASB Statement No. 31, which requires governmental entities to report certain investments at fair value in the balance sheet and recognize the corresponding change in fair value of investments in the year in which the change occurred. The District reports its investment in the Solano County investment pool at fair value based on quoted market information obtained from fiscal agents or other sources if the change is material to the financial statements.

#### Note 3: Capital Assets

Activity for the District's capital assets is summarized below

	Balance June 30, 2015	Additions	Retirement/ Adjustments	Balance June 30, 2016
Capital assets, not being depreciated:				
Land	\$ 943,864	\$ -	\$ -	\$ 943,864
Construction in progress	15,550		-	15,550
Capital assets, being depreciated:				
Infrastructure	915,707	6,138		921,845
Structures and improvements	2,031,579		-	2,031,579
Equipment	528,120	30,737	(30,554)	528,303
Total capital assets, being depreciated	3,475,406	36,875	(30,554)	3,481,727
Less accumulated depreciation	(1,630,208)	(119,084)	36,876	(1,712,416)
Total capital assets, being depreciated, net	1,845,198	(82,209)	6,322	1,769,311
Governmental activities, capital assets, net	\$ 2,804,612	\$ (82,209)	\$ 6,322	\$ 2,728,725

Note 4: Long-Term Liabilities

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended June 30, 2016:

	Balance June 30, 2015	Additions	Retirements	Balance June 30, 2016	Amount Due In One Year
Net pension liability (Note 5)	\$ 344,918	\$ 170,562	\$ (28,302)	\$ 487,178	\$ -
Compensated absences	93,306		(23,018)	70,288	11,509
Totals	\$ 438,224	\$ 170,562	\$ (51,320)	\$ 557,466	\$ 11,509

Compensated absences

The District recorded \$70,288 in accrued vacation and sick leave at June 30, 2016. The District policy authorizes payment of accumulated vacation and sick leave at time of separation from the District based on the District policies. This amount is accrued in accordance with GASB 16.

Note 5: Defined Benefit Pension Cost-Sharing Employer Plan

**A. General Information about the Pension Plans**

**Plan Descriptions** – All qualified permanent and probationary employees are eligible to participate in the District’s Miscellaneous Employee Pension Plan, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

**Benefits Provided** – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 55 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The Plans’ provisions and benefits in effect at June 30, 2016, are summarized as follows:

Hire date		Prior January 1
Benefit formula		2% @
Benefit vesting schedule		5 years
Benefit payments		monthly
Retirement age		
Monthly benefits as a % of eligible		1
Required employee contribution rates		
Required employer contribution rates		

**Contributions** – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2016, the contributions recognized as part of pension expense for each Plan were as follows:

Contributions-employer	\$	497,976
Contributions-employee (paid by employer)	\$	15,866

Note 5: Defined Benefit Pension Cost-Sharing Employer Plan (Continued)

***B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions***

As of June 30, 2016, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	<b><u>Proportionate share of Net pension liability</u></b>
Miscellaneous Plans	\$ 543,782

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2015, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the net pension liability as of June 30, 2014 and 2015 measurement dates was as follows:

Proportion - June 30, 2014	0.01510%
Proportion - June 30, 2015	0.01982%
Change - Increase (Decrease)	0.00472%

For the year ended June 30, 2016, the District recognized pension expense of \$92,105. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual experience	\$ 3,737	\$ -
Changes of assumptions		(35,354)
Net difference between projected and actual earnings on pension plan investments	-	(17,723)
Changes in proportion and differences between District contributions and proportionate share of contributions	137,696	
District contributions subsequent to the measurement date	497,976	-
Total	<u>\$ 639,409</u>	<u>\$ (53,077)</u>

\$497,976 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

Note 5: Defined Benefit Pension Cost-Sharing Employer Plan (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<b>Measurement Period</b>	
<b>Ended June 30:</b>	
2017	\$ 20,381
2018	29,522
2019	15,801
2020	22,652

**Actuarial Assumptions** – The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions:

	<b>Miscellaneous</b>
Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal
<b>Actuarial Assumptions:</b>	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	3.3% - 14.2% (1)
Investment Rate of Return	7.65%

Note 5: Defined Benefit Pension Cost-Sharing Employer Plan (Continued)

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2014 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2007. Further details of the Experience Study can be found on the CalPERS website.

**Discount Rate** – The discount rate used to measure the total pension liability was 7.650% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a report that can be obtained from the CalPERS website.

CalPERS is scheduled to review actuarial assumptions as part of its regular Asset Liability Management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of differences in calculation until such time as we have changed our methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

Note 5: Defined Benefit Pension Cost-Sharing Employer Plan (Continued)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-

60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

<u>Asset Class (Excluding PARS)</u>	<u>Allocation</u>	<u>Years 1-10 (1)</u>	<u>Years 11+ (2)</u>
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	19%	0.99%	2.43
Inflation Sensitive	6%	0.45%	3.36
Private Equity	10%	6.83%	6.95
Real Estate	10%	4.50%	5.13
Infrastructure and Forestland	2%	4.50%	5.09
Liquidity	2%	-0.55%	(1.05)

(1) An expected inflation of 2.5% used for this period

(2) An expected inflation of 3.0% used for this period

Note 5: Defined Benefit Pension Cost-Sharing Employer Plan (Continued)

***Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** –

The following presents the District's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>Discount Rate -1%</u>	<u>Current Discount</u>	<u>Discount Rate +1%</u>
	<u>(6.65%)</u>	<u>Rate (7.65%)</u>	<u>(8.65%)</u>
Misc Tier I	\$ 911,961	\$ 543,782	\$ 239,808

#### Note 6: Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District together with other districts in the State are insured through Special District Risk Management Authority (SDRMA), a public entity risk pool currently operating as a common risk management and Joint Powers Authority for property, liability and workers compensation insurance. The District pays an annual contribution for property and liability insurance to SDRMA to share the risk management. Furthermore the District carries workers compensation coverage based upon actual payroll classified into rate categories pursuant to the rules published by the California Workers' Compensation Insurance Rating Bureau. SDRMA agrees to pay all amounts legally required by California Workers compensation laws.

The Agreement for Formation provides that SDRMA will be self-sustaining through member contributions and does not required additional contributions if claims exceed contributions. The agreement for formation stipulates that members are liable for their pro rata share of any fund deficits upon termination from or dissolution of SDRMA. At June 30, 2016 SDRMA had a fund surplus. Financial statements for SDRMA are available at the District's office. Settlements have not exceeded insurance coverage in any of the last three years.

#### Note 7: Prior Period Adjustments

Prior year adjustments were recorded increasing net position \$51,058 to account for prior year activity related to Governmental Accounting Standards Board Statement 68 for defined benefit pension plans. A prior year adjustment was recorded increasing net position \$73,932 to account for unrecorded deferred revenue in the fund financial statements related to installment sales that should have been recognized as revenue in the government-wide financial statements in the prior year. Net position was decreased \$15,550 to eliminate construction in progress recorded in the prior year.

#### Note 8: Operating Leases

The District has an operating lease whereby they lease the Church to the Church of Christ. The lease is year to year and renews annually in September. Rent is \$9,000 per year plus a portion of utility costs. There is also a \$1,000 security deposit held by the District which is recorded as other liability in these financial statements.

The District also leases 18.5 acres of land to James Parr for the purpose of running an olive orchard. The lessee pays the District \$400 per plantable acre or fifteen percent of the gross sales from the Olive Orchard. During the 2015/16 fiscal year the lessee paid \$1,000 per month. Furthermore the lessee pays \$250 on January 1<sup>st</sup> for vinegar production. The lease term is through December 31, 2029, but there are cancellation provisions whereby the lessor can cancel the lease under certain conditions and with notice requirements.

#### Note 9: Special Item

During the 2015/16 fiscal year the District opted to make a lump sum payment to payoff the unfunded net pension liability with CalPERS for the Defined Pension Benefit plan. The amount of the lump sum

payment was \$422,118. Because this was not a normal business transaction, but was within the control of management, it was recorded as a special item in these financial statements.

Note 10: Trust Agreement

The District was named the beneficiary of a trust agreement whereby there is a trust fund established and held by a third party. The net income derived from a portion of the trust assets is to be used to maintain the trustee and specified family member plots. The remainder of the trust income can be expended on the general use and benefit of the Cemetery. The annual income generated from the trust for the 2015/16 fiscal year was approximately \$5,000.

Note 11: GANN Appropriations Limit

The District is not subject to the GANN appropriations limit.

Note 12: Subsequent Event

In November 2016 the District changed their name to Solano County Cemetery District. The change has no impact on the June 30, 2016 financial statements.

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Revenues:				
Property taxes	\$ 1,049,104	\$ 1,049,104	\$ 1,239,936	\$ 190,832
Use of money and property	41,000	41,000	38,382	(2,618)
Intergovernmental	11,005	11,005	11,133	128
Charges for current services	276,000	276,000	380,562	104,562
Miscellaneous			2,500	2,500
<b>Total Revenues</b>	<b>1,377,109</b>	<b>1,377,109</b>	<b>1,672,513</b>	<b>295,404</b>
Expenditures:				
Cemetery services				
Salary and employee benefits	861,571	877,220	804,166	73,054
Services and supply	421,945	438,674	292,413	146,261
Capital Outlay	139,593	122,864	36,875	85,989
<b>Total Expenditures</b>	<b>1,423,109</b>	<b>1,438,758</b>	<b>1,133,454</b>	<b>305,304</b>
Excess of revenues over expenditures before special item	(46,000)	(61,649)	539,059	600,708
Special item: payoff unfunded pension liability		(422,118)	(422,118)	-
<b>Net Change in Fund Balance</b>	<b>\$ (46,000)</b>	<b>\$ (483,767)</b>	<b>116,941</b>	<b>\$ 600,708</b>
Fund Balance, July 1, 2015			3,106,104	
Fund Balance, June 30, 2016			<b>\$ 3,223,045</b>	



<u>Actuarial Valuation Date</u>	<u>District's proportion of the net pension liability (asset)</u>	<u>District's proportionate share of the net pension liability (asset)</u>	<u>District's covered-employee payroll</u>	<u>District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension liability</u>
<u>CalPERS-Miscellaneous First Tier Plan</u>					
6/30/2014	0.01510%	\$344,918	\$578,025	59.67%	83.76%
6/30/2015	0.01982%	\$543,782	\$564,977	96.25%	81.09%

\* The amounts presented for each fiscal year were determined as of the fiscal year-end



<u>Actuarial Valuation Date</u>	<u>Contractually required contribution</u>	<u>Contributions in relation to the contractually required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>District's covered employee payroll</u>	<u>Contribution as a percentage of covered-employee payroll</u>
---------------------------------	--	---	---	--	---

CalPERS-Miscellaneous First Tier Plan

6/30/2014	\$82,710	(\$82,710)	\$0	\$578,025	14.31%
6/30/2015	\$88,697	(\$88,697)	\$0	\$595,366	14.90%
6/30/2016	\$75,858	(\$75,858)	\$0	\$564,977	13.43%

\* The amounts presented for each fiscal year were determined as of the fiscal year-end



Note 1: Budgets and Budgetary Accounting

As required by the laws of the State of California, the District prepares and legally adopts a final balanced operating budget. Public hearings were conducted on the proposed final budget to review all appropriations and the sources of financing. Because the final budget must be balanced, any shortfall in revenue requires an equal reduction in financing requirements.

The budget for the general fund was adopted on the modified accrual basis of accounting. The budget for the general fund is the only legally adopted budget.

At the fund level, actual expenditures cannot exceed budgeted appropriations. In order to accommodate operational changes that may result during the course of a budget year, management can modify line items of a budget, but cannot modify between objects without a Board resolution.

The budgetary data presented in the accompanying financial statements includes all revisions approved by the Board of Trustees.

# LARRY BAIN, CPA

An Accounting Corporation

---

2148 Frascati Drive, El Dorado Hills, CA 95762 / 916.601-8894

[lpbain@sbcglobal.net](mailto:lpbain@sbcglobal.net)

## **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

Board of Trustees  
Suisun Fairfield Rockville District of Solano County  
Fairfield, CA

We have audited the financial statements of Suisun Fairfield Rockville District of Solano County as of and for the fiscal year ended June 30, 2016, and have issued our report thereon dated September 16, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Suisun Fairfield Rockville District of Solano County's (District) internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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 material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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.

A significant deficiency is a deficiency, or 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. We consider findings 16-1 through 16-4 in the following schedule of findings to be significant deficiencies in the District's internal control:

### **Suisun Fairfield Rockville District of Solano County's Response to Findings**

The Suisun Fairfield Rockville District of Solano County's separate written response to the significant deficiency identified in our audit and any follow up for subsequent year corrections has not been subjected to

the audit procedures applied in the audit of the financial statements and accordingly, we do not express an opinion on the responses.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal controls over financial reporting and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control. This report is an integral part of an audit performed in accordance with auditing standards generally accepted in the United States of America in considering the District's internal control over financial reporting; accordingly this report is not suitable for any other purpose.

This report is intended solely for the information and use of the Board of Trustees, management, the Solano County Auditor Controller's Office and the Controller's Office of the State of California.

Larry Bain, CPA,  
An Accounting Corporation  
September 16, 2017

## **Significant Deficiencies not Deemed Material Weaknesses**

**Finding 16-1:** We noted the District had a lack of segregation of duties, as one person is capable of handling all aspects of processing transactions from beginning to end. A lack of segregation of duties increases the risk of potential errors or irregularities; however, due to a limited number of personnel an adequate segregation of duties is not possible without incurring additional costs. This is a common condition for entities of this size.

**Finding 16-2:** The District relies on the external auditor to ensure its financial statements are in accordance with GAAP. In addition, the District relies on the external auditor to ensure that all necessary disclosures are included in the notes to the financial statements. The District does not employ a staff member with the necessary knowledge and training to prepare governmental financial statements. In accordance with Statement of Auditing Standards No. 122c external auditors cannot be part of an entity's internal controls over preparation of the financial statements and are prohibited from auditing their own work, which would impair their independence.

Recommendation: The District should consider training staff in preparing GAAP financial statements or hire an external qualified accountant to prepare the GAAP financial statements. The District could opt to take no action if it considers the cost will outweigh the benefit.

**Finding 16-3:** During our audit we noted the District is entering into installment payment plans for plot sales. We compiled a listing of the open installment agreements by going through files located in various areas of the office. We could not locate and the District management was not aware of a central subsidiary ledger listing all outstanding installment agreements and the activity for each agreement. Furthermore we noted the prior financial statements did not report the installment sales receivable balance. We provided the District with journal entries to record the current year activity for these receivables. The balance at June 30, 2016 was \$84,493.

Recommendation: We recommend the District prepare an electronic database with a subsidiary receivables ledger to track the installment sale receivables. Furthermore we recommend the District provide the auditor with the journal entries to record these receivables in the financial statements.

**Finding 16-4:** During our audit we noted the Board of Trustee stipend payments were paid through accounts payable as opposed to payroll. IRS rules require these types of payments to be paid through payroll with payroll tax withholding requirements.

Recommendation: We recommend the District review the IRS provisions for paying Board stipends through payroll and then take action to comply.