

**SOLANO CEMETERY DISTRICT
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

SOLANO CEMETERY DISTRICT

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An Accounting Corporation

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Board of Trustees
Solano Cemetery District
Fairfield, CA

Opinion

We have audited the accompanying financial statements of the governmental activities and fund information of Solano Cemetery District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Solano Cemetery District as of June 30, 2022, and the changes in financial position of those activities and funds for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Solano Cemetery District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Solano Cemetery District's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Solano Cemetery District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Solano Cemetery District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matters

Required Supplementary Information

The Solano Cemetery District has not presented the Management Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Other Information

The required supplementary information other than MD&A, as listed in the table of contents as the budgetary comparison schedule for the General fund on page 25, the District's Employees' Retirement System Schedule of the District's Proportionate Share of the Net Pension Liability and the Retirement System Schedule of the District's Contributions on pages 26 and 27, is 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 (GASB), 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.



Larry Bain, CPA
An Accounting Corporation
February 22, 2023

SOLANO CEMETERY DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2022

| | Governmental Activities |
|---------------------------------------|----------------------------|
| Current Assets | |
| Cash and investments | \$ 5,060,046 |
| Imprest cash | 600 |
| Accounts receivables | 164,383 |
| Prepaid expense | 11,116 |
| Inventory | 32,893 |
| Lease receivable-current | 25,300 |
| Total current assets | 5,294,338 |
| Non-Current Assets | |
| Restricted cash and investments | 2,213,800 |
| Non-current lease receivable | 363,592 |
| Capital assets: | |
| Land | 943,864 |
| Intangible assets | 60,000 |
| Infrastructure | 1,253,836 |
| Structures and improvements | 8,459,176 |
| Equipment | 662,749 |
| Less: accumulated depreciation | (2,446,954) |
| Total capital assets | 8,932,671 |
| Total non-current Assets | 11,510,063 |
| Total asset | 16,804,401 |
| Deferred Outflows of Resources | |
| Deferred outflows-pensions | 254,077 |
| Total deferred outflows of resources | 254,077 |
| Liabilities | |
| Current Liabilities: | |
| Accrued expense | 26,547 |
| Salaries payable | 44,072 |
| Preneed deposits | 904,085 |
| Other liabilities | 164,383 |
| Accrued interest | 42,108 |
| Due within one year | 195,133 |
| Total current liabilities | 1,376,328 |
| Non-Current Liabilities: | |
| Due in more than one year | 3,196,237 |
| Total liabilities | 4,572,566 |
| Deferred Inflows of Resources | |
| Deferred inflows-leases | 388,892 |
| Deferred inflows-pensions | 345,989 |
| Total deferred inflows of resources | 734,881 |
| Net Position | |
| Net investment in capital assets | 5,518,444 |
| Restricted for: | |
| Perpetual care: | |
| Expendable | 110,789 |
| Nonexpendable | - |
| Unrestricted | 6,121,798 |
| Total net position | \$ 11,751,031 |

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

SOLANO CEMETERY DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

| | <u>Expenses</u> | <u>Program Revenues</u> <u>Charges for</u> <u>Services</u> | <u>Total</u> |
|-------------------------------|---------------------|------------------------------------------------------------------|--------------------|
| Governmental Activities: | | | |
| Cemetery services | \$ 1,693,739 | \$ 679,282 | \$ (1,014,457) |
| Total governmental activities | <u>\$ 1,693,739</u> | <u>\$ 679,282</u> | <u>(1,014,457)</u> |

General Revenues:

| | |
|-------------------------------------------|----------------------|
| Taxes: | |
| Property tax, levied for general purposes | 1,875,213 |
| Contributions to permanent endowment fund | 108,600 |
| Investment income (loss) | (129,975) |
| Rental income | 47,195 |
| Total general revenues | <u>1,901,033</u> |
| Change in net position | <u>886,576</u> |
| Net position - beginning | <u>10,864,455</u> |
| Net position - ending | <u>\$ 11,751,031</u> |

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

SOLANO CEMETERY DISTRICT

**GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2022**

| | General Fund | Permanent Fund Perpetual Care | Totals |
|--------------------------------------|---------------------|----------------------------------------|---------------------|
| Assets | | | |
| Cash and investments | \$ 4,949,257 | \$ 110,789 | \$ 5,060,046 |
| Restricted cash and investments | | 2,213,800 | 2,213,800 |
| Imprest cash | 600 | | 600 |
| Accounts receivable | 164,383 | | 164,383 |
| Prepaid expense | 11,116 | | 11,116 |
| Inventory | 32,893 | | 32,893 |
| Total assets | <u>\$ 5,158,249</u> | <u>\$ 2,324,589</u> | <u>\$ 7,482,838</u> |
| Liabilities and Fund Balances | | | |
| Liabilities | | | |
| Accrued expense | \$ 26,547 | \$ - | \$ 26,547 |
| Salaries payable | 44,072 | | 44,072 |
| Preneed deposits | 904,085 | | 904,085 |
| Other liabilities | 164,383 | | 164,383 |
| Total liabilities | <u>1,139,087</u> | | <u>1,139,087</u> |
| Fund balances | | | |
| Restricted | | 2,213,800 | 2,213,800 |
| Nonspendable: | | | |
| Imprest cash | 600 | | 600 |
| Perpetual care | | - | - |
| Prepaid expense | 11,116 | | 11,116 |
| Assigned for perpetual care | | 110,789 | 110,789 |
| Assigned for general fund | 1,202,140 | | 1,202,140 |
| Unassigned | 2,805,306 | | 2,805,306 |
| Total fund balances | <u>4,019,162</u> | <u>2,324,589</u> | <u>6,343,751</u> |
| Total liabilities and fund balances | <u>\$ 5,158,249</u> | <u>\$ 2,324,589</u> | <u>\$ 7,482,838</u> |

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

SOLANO CEMETERY DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2022**

| | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|
| Total fund balances of governmental funds | \$ 6,343,751 |
| 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. | 8,932,671 |
| Compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds. | (67,389) |
| Capital leases and accrued interest are not due and payable in the current period and therefore are not reported in the governmental funds. | (3,456,335) |
| 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. | <u>(1,667)</u> |
| Net position of governmental activities | <u>\$ 11,751,031</u> |

SOLANO CEMETERY DISTRICT

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
JUNE 30, 2022**

| | General Fund | Permanent Fund Perpetual Care | Totals |
|-----------------------------------------|---------------------|----------------------------------------|---------------------|
| Revenues | | | |
| Property taxes | \$ 1,850,762 | \$ - | \$ 1,850,762 |
| Use of money and property | 20,880 | (103,660) | (82,780) |
| Intergovernmental | 24,451 | | 24,451 |
| Charges for current services | 679,282 | 108,600 | 787,882 |
| Total revenues | <u>2,575,375</u> | <u>4,940</u> | <u>2,580,315</u> |
| Expenditures | | | |
| Cemetery Services | | | |
| Employee services | 872,541 | | 872,541 |
| Professional services | 298,409 | | 298,409 |
| Utilities | 81,791 | | 81,791 |
| Fuel | 12,999 | | 12,999 |
| Maintenance | 95,428 | | 95,428 |
| Purchases for resale | 44,609 | | 44,609 |
| Insurance | 62,781 | | 62,781 |
| Transportation and travel | 10,220 | | 10,220 |
| Household | 26,901 | | 26,901 |
| Communications | 11,531 | | 11,531 |
| Office expense and supplies | 19,497 | | 19,497 |
| Credit card processing fees | 13,460 | | 13,460 |
| Miscellaneous | 10,120 | | 10,120 |
| Memberships and permits | 8,110 | | 8,110 |
| Rents | 2,589 | | 2,589 |
| Special district expense | 5,944 | | 5,944 |
| Small tools | 7,415 | | 7,415 |
| Debt service | | | |
| Principal | 154,518 | | 154,518 |
| Interest | 132,044 | | 132,044 |
| Capital outlay | 210,453 | | 210,453 |
| Total expenditures | <u>2,081,360</u> | | <u>2,081,360</u> |
| Net change in fund balance | <u>494,015</u> | <u>4,940</u> | <u>498,955</u> |
| Fund balances, beginning of fiscal year | 3,525,147 | 2,319,649 | 5,844,796 |
| Fund balances, end of fiscal year | <u>\$ 4,019,162</u> | <u>\$ 2,324,589</u> | <u>\$ 6,343,751</u> |

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

SOLANO CEMETERY DISTRICT

RECONCILIATION OF THE STATE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2022

Net Change in Fund Balances - Total Governmental Funds \$ 498,955

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 | 210,453 |
| Current year depreciation expense | (132,403) |

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.

9,616

Principal payments on the capital lease are an expense in the governmental funds, but a reduction in liabilities in the statement of net position

154,518

Interest on long-term debt is an expense in the governmental funds, but is capitalized with construction in progress until the debt proceeds are expended.

1,906

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.

143,531

Change in net position of governmental activities

\$ 886,576

SOLANO CEMETERY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2022

Note 1: Summary of Significant Accounting Policies

The financial statements of the Solano Cemetery District (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 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. On October 17, 2016 the Board of Trustees approved changing the name of the consolidated Districts to Solano Cemetery District.

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.

On February 14, 2017, the District approved reducing the Board of Trustees consisting of seven (7) members, to five (5) members serving four-year terms. The Board of Trustees govern 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.

SOLANO CEMETERY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2022

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.

SOLANO CEMETERY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

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 |

SOLANO CEMETERY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

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.

SOLANO CEMETERY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2022

L. Operating Leases

In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87, *Leases* (GASB Statement No. 87), to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It also establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Implementation of this Statement had a significant effect on the District's financial statements for the fiscal year ended June 30, 2022.

A. Lessor

The District acts as the lessor for real property used for a building rental and agricultural purposes. The District recognizes leases receivable and deferred inflows of resources in the financial statements. Variable payments based on future performance of the lessee or usage of the underlying asset are not included in the measurement of the lease receivable.

At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflows of resources are initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflows of resources are recognized as revenue over the life of the lease term in a systematic and rational method.

Key estimates and judgments include how the District determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The District uses an estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

SOLANO CEMETERY DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

Note 2: Cash and Investments:

Cash and investments at June 30, 2022, consisted of the following:

| | | |
|---------------------------------------------|----|--------------|
| Checking account | \$ | 82,014 |
| Imprest account | | 600 |
| Investments with Fiscal Agent | | 2,770,410 |
| Cash and investment in the County Treasurer | | 4,421,422 |
| Total cash and investments | | \$ 7,274,446 |

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 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% | A1/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 et seq | 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 |

SOLANO CEMETERY DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

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 | \$ 4,421,422 | \$ 4,421,422 | \$ - | \$ - | \$ - |
| Corporate Notes | 835,507 | | 245,409 | 590,098 | |
| Fixed Income Muni | 673,974 | 99,819 | 162,640 | 411,515 | |
| U.S. Treasury Index Note | 624,782 | 50,162 | 248,573 | 326,047 | |
| Certificate of Deposit | 161,717 | | 161,717 | | |
| Mutual Funds | 462,545 | 462,545 | | | |
| Cash and Sweep Balances | 11,885 | 11,885 | | | |
| Totals | \$ 7,191,832 | \$ 5,045,833 | \$ 818,339 | \$ 1,327,660 | \$ - |

C. Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The following presentation is the minimum rating required (where applicable) the California Government Code, the District's 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 | Aa2 | Aa3 | A1 | A2 | A3 |
| Solano County Investment Pool | \$ 4,421,422 | N/A | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Corporate Notes | 835,507 | A | | 106,747 | | | 387,597 | 341,163 |
| Fixed Income Muni | 673,974 | N/A | | 160,144 | 199,183 | 78,626 | 110,946 | 125,075 |
| U.S. Treasury Index Note | 624,782 | N/A | 624,782 | | | | | |
| Certificate of Deposit | 161,717 | N/A | | | | | | |
| Mutual Funds | 462,545 | N/A | | | | | | |
| Cash and Sweep Balances | 11,885 | N/A | | | | | | |
| Totals | \$ 7,191,832 | | \$624,782 | \$ 266,891 | \$ 199,183 | \$ 78,626 | \$ 498,543 | \$ 466,238 |

SOLANO CEMETERY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2022

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, 2022, the District deposits, other than those held in investment brokerage accounts, totaled \$180,393 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, 2022 cash deposited in the District's revolving accounts totaled \$82,014.

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.

G. Fair Value Measurements

Fair value measurements are categorized based on 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, including matrix pricing models; Level 3 inputs are significant unobservable inputs.

SOLANO CEMETERY DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

Note 2: Cash and Investments (Continued):

G. Fair Value Measurements (Continued)

Investments' fair value measurements as of June 30, 2022 were as follows:

| Investment Type | Total Fair Value | Level 1 | Level 2 | Level 3 |
|-------------------------------|---------------------|-------------|---------------------|-------------|
| Corporate Notes | \$ 835,507 | \$ - | \$ 835,507 | \$ - |
| Government Bonds | 673,974 | | 673,974 | |
| U.S. Treasury Index Note | 624,782 | | 624,782 | |
| Certificate of Deposit | 161,717 | | 161,717 | |
| Mutual Funds | 462,545 | | 462,545 | |
| Cash and Sweep Balances | 11,885 | | 11,885 | |
| | <u>2,770,410</u> | <u>\$ -</u> | <u>\$ 2,770,410</u> | <u>\$ -</u> |
| Uncategorized: | | | | |
| Solano County Investment Pool | <u>4,421,422</u> | | | |
| Total investment portfolio | <u>\$ 7,191,832</u> | | | |

Note 3: Capital Assets

Activity for the District's capital assets is summarized below

| | Balance July 1, 2021 | Additions | Retirement/ Adjustments | Balance June 30, 2022 |
|----------------------------------------------|-------------------------|---------------------|----------------------------|--------------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 943,864 | \$ - | \$ - | \$ 943,864 |
| Construction in progress | 6,111,043 | | (6,111,043) | - |
| Capital assets, being depreciated: | | | | |
| Burial rights | 60,000 | | | 60,000 |
| Infrastructure | 1,173,992 | 79,844 | | 1,253,836 |
| Structures and improvements | 2,316,674 | 6,142,502 | | 8,459,176 |
| Equipment | 563,600 | 99,149 | | 662,749 |
| Total capital assets, being depreciated | 4,114,266 | 6,321,495 | | 10,435,761 |
| Less accumulated depreciation | (2,314,551) | (132,403) | | (2,446,954) |
| Total capital assets, being depreciated, net | 1,799,715 | 6,189,092 | | 7,988,807 |
| Governmental activities, capital assets, net | <u>\$ 8,854,622</u> | <u>\$ 6,189,092</u> | <u>\$ (6,111,043)</u> | <u>\$ 8,932,671</u> |

SOLANO CEMETERY DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

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, 2022:

| | Balance July 1, 2021 | Additions | Retirements | Balance June 30, 2022 | Amount Due In One Year |
|--------------------------------|-------------------------|---------------------|---------------------|--------------------------|---------------------------|
| Compensated absences | \$ 77,005 | \$ 60,180 | \$ (69,796) | \$ 67,389 | \$ 34,898 |
| Capital lease | 3,568,745 | | (154,518) | 3,414,227 | 160,235 |
| Net pension liability (Note 5) | 357,081 | (447,327) | | (90,246) | - |
| Totals | <u>\$ 4,002,831</u> | <u>\$ (387,147)</u> | <u>\$ (224,314)</u> | <u>\$ 3,391,370</u> | <u>\$ 195,133</u> |

Compensated absences

The District recorded \$67,389 in accrued vacation and sick leave at June 30, 2022. The District policy authorizes payment of accumulated vacation and a portion of sick leave at time of separation from the District. This amount is accrued in accordance with GASB 16.

Capital Leases Payable

On March 2, 2018 the District obtained financing from Municipal Finance Corporation (Corporation), whereby the Corporation loaned the District \$4,000,000 in exchange for a security interest in District property. The Corporation is then subleasing the site back to the District. The proceeds of the loan are to be used for the construction, acquisition and installation of certain capital improvements including the proposed administration building. The capital lease calls for annual payments of \$286,561.59, including interest, beginning March 2, 2019 and maturing March 2, 2038. Once all lease payments are made the corporation will no longer have a security interest in the District property. The following is the schedule of payments due under this capital lease agreement:

| Fiscal Year Ended June 30, | Principal | Interest | Total |
|-------------------------------|---------------------|---------------------|---------------------|
| 2023 | \$ 160,235 | \$ 126,327 | \$ 286,562 |
| 2024 | 166,164 | 120,398 | 286,562 |
| 2025 | 172,312 | 114,250 | 286,562 |
| 2026 | 178,687 | 107,874 | 292,937 |
| 2027 | 185,298 | 101,263 | 286,561 |
| 2028-2032 | 1,034,553 | 398,256 | 1,432,809 |
| 2033-2037 | 1,240,640 | 172,083 | 1,412,723 |
| 2038 | 276,338 | 30,309 | 306,647 |
| Totals | <u>\$ 3,414,227</u> | <u>\$ 1,170,760</u> | <u>\$ 4,584,987</u> |

SOLANO CEMETERY DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

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, 2022, are summarized as follows:

| | Miscellaneous | |
|---------------------------------------|-----------------------------|--------------------------------|
| | Prior to January 1, 2013 | On or after January 1, 2013 |
| Hire date | | |
| Benefit formula | 2% @ 55 | 2% @ 62 |
| Benefit vesting schedule | 5 years service | 5 years service |
| Benefit payments | monthly for life | monthly for life |
| Retirement age | 50-55 | 52 - 67 |
| Monthly benefits , as a % of eligible | 1.5% to 2% | 1.0% to 2% |
| Required employee contribution rates | 8.00% | 6.75% |
| Required employer contribution rates | 14.02% | 7.59% |

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, 2022, the contributions recognized as part of pension expense for each Plan were as follows:

| | | |
|-------------------------------------------|----|--------|
| Contributions-employer | \$ | 76,529 |
| Contributions-employee (paid by employer) | \$ | 7,426 |

SOLANO CEMETERY DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

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, 2022, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

| | Proportionate Share of Net Pension Liability (Ass |
|---------------------|--------------------------------------------------------------|
| Miscellaneous plans | \$ (90,245) |

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 was measured as of June 30, 2019, 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, 2018 rolled forward to June 30, 2019 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, 2021 and 2022 reporting dates were as follows:

| | |
|------------------------------|-----------|
| Proportion - June 30, 2021 | 0.00847% |
| Proportion - June 30, 2022 | 0.00475% |
| Change - increase (decrease) | -0.00371% |

For the year ended June 30, 2022, the District recognized pension expense of -\$64,700. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|-------------------------------------------------------------------------------------|-------------------------------------------|------------------------------------------|
| Differences between expected and actual experience | \$ - | \$ (10,120) |
| Changes of assumptions | | |
| Net difference between projected and actual earnings on pension plan investments | 78,779 | |
| Changes in proportion | | (335,869) |
| Difference between proportionate and actual contributions | 96,467 | |
| District contributions subsequent to the measurement date | 78,831 | |
| Total | \$ 254,077 | \$ (345,989) |

\$78,831 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, 2023.

SOLANO CEMETERY DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

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:

| Measurement Period | | |
|---------------------------|----|----------|
| Ended June 30: | | |
| 2023 | \$ | 49,655 |
| 2024 | | 74,794 |
| 2025 | | 68,064 |
| 2026 | | (21,770) |
| 2027 | | - |
| Thereafter | | - |

Actuarial Assumptions – The total pension liabilities in the June 30, 2020 actuarial valuations were determined using the following actuarial assumptions:

| | |
|-------------------------------|---------------------------------|
| Valuation Date | June 30, 2020 |
| Measurement Date | June 30, 2021 |
| Actuarial cost method | Entry-Age Normal Cost Method |
| Actuarial Assumptions: | |
| Discount rate | 7.15% |
| Inflation | 2.50% |
| Projected salary increase | Varies by Entry Age and Ser |
| Investment rate of return | 7.15% |

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial Experience Study. Further details of the Experience Study can found on the CalPERS website.

Discount Rate – The discount rate used to measure the total pension liability was 7.15% 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 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 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 reviews actuarial assumptions as part of its regular Asset Liability Management review cycle. Any changes to the discount rate will require Board action and proper stakeholder outreach. 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.

SOLANO CEMETERY DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

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</u> | <u>New Strategic Allocation</u> | <u>Real Return Years 1-10 (1)</u> | <u>Real Return Years 11+ (2)</u> |
|--------------------|---------------------------------|-----------------------------------|----------------------------------|
| Global Equity | 50.0% | 4.80% | 5.98% |
| Fixed Income | 28% | 1.00% | 2.62% |
| Inflation Assets | 0% | 0.77% | 1.81% |
| Private Equity | 8% | 6.30% | 7.23% |
| Real Estate | 13% | 3.75% | 4.93% |
| Liquidity | 1% | 0.00% | -0.92% |

(1) An expected inflation of 2.00% used for this period

(2) An expected inflation of 2.92% used for this period

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% (6.15%)</u> | <u>Current Discount Rate (7.15%)</u> | <u>Discount Rate +1% (8.15%)</u> |
|---------------|--------------------------------------|------------------------------------------|--------------------------------------|
| Miscellaneous | \$ 215,523 | \$ (90,245) | \$ (133,215) |

SOLANO CEMETERY DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

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, 2022 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: Operating Leases

The District derives a portion of its revenue from the rental of real property based on a fixed lease amount to organizations providing church services and agricultural related services. Two leases are treated as finance leases for accounting purposes under Governmental Accounting Board Statement No. 87. The initial lease terms started as early as August 1, 2019 for periods between five and ten years, and can be terminated by lessee at any time and without cause by giving the District written notice of termination. Early termination is not expected. The rents ranged from \$909 to \$9,579 per month and increases by the consumer price index annually. The District has three other leases that do not meet the definition of finance leases under GASB 87.

The District has an operating lease whereby they lease the Church to the Church of Christ. The lease term is from September 1, 2021 to August 31, 2026. Rent is \$12,600 per year plus a portion of utility costs. Rent will increase \$50 per month each September 1 through the end of the lease term. There is also a \$1,000 security deposit held by the District.

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 \$5,200 per year at \$400 per 13 plantable acre or fifteen percent of the gross sales from the Olive Orchard. During the 2021/22 fiscal year the lessee paid \$1,300 per month for structure and storage rent. Furthermore the lessee pays \$250 on January 1st 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.

For the fiscal year ended June 30, 2022, the District recognized \$31,582 in lease revenue and \$10,022 in interest revenue related to these leases.

A summary of changes in lease receivable for the fiscal year ended June 30, 2022 is as follows:

| | Balance 7/1/2021 | Additions | Retirements/ Adjustments | Balance 6/30/2022 | Due within One Year | Due in More Than One Year |
|------------------|---------------------|-----------|-----------------------------|----------------------|------------------------|---------------------------------|
| Lease receivable | \$ 420,442 | \$ - | \$ (31,550) | \$ 388,892 | \$ 25,300 | \$ 363,592 |

SOLANO CEMETERY DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

Note 7: Operating Leases (Continued)

Lease receivable are due in the upcoming years as follows:

| Year Ending June 30, | Principal | Interest | Total |
|-------------------------|-------------------|------------------|-------------------|
| 2023 | \$ 25,300 | \$ 9,680 | \$ 34,980 |
| 2024 | 27,471 | 9,287 | 36,758 |
| 2025 | 28,824 | 8,819 | 37,643 |
| 2026 | 30,259 | 8,352 | 38,611 |
| 2027 | 18,701 | 7,860 | 26,561 |
| 2028-2032 | 94,807 | 30,975 | 125,782 |
| 2033-2037 | 121,334 | 14,170 | 135,504 |
| 2038-2039 | 42,196 | 438 | 42,634 |
| Total | <u>\$ 388,892</u> | <u>\$ 89,581</u> | <u>\$ 478,473</u> |

Note 8: 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 2021/22 fiscal year was approximately \$5,000.

Note 9: GANN Appropriations Limit

The District is not subject to the GANN appropriations limit.

Note 10: Commitments and Contingencies

At June 30, 2022 the District had an agreement with Pacific Landscape whereby they will care for the Cemetery grounds at \$15,232 per month. The District also had other maintenance and professional service agreements as of June 30, 2022.

Note 11: Commitments and Contingencies (Continued)

COVID 19

In December 2019, a novel strain of coronavirus has spread around the world resulting in business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The operations and business results of Solano Cemetery District could potentially be adversely affected by this global pandemic. The extent to which the coronavirus may impact business activity or investment results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus. The District has not included contingencies in the financial statements specific to this issue.

Note 12: Subsequent Event

Subsequent events were evaluated through February 10, 2023, the date these financial statements were available for distribution.

SOLANO CEMETERY DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
JUNE 30, 2022**

| | Budgeted Amounts | | Actual | Variance |
|----------------------------------------|---------------------|---------------------|---------------------|----------------------------|
| | Original | Final | | Favorable (Unfavorable) |
| Revenues: | | | | |
| Property taxes | \$ 1,549,768 | \$ 1,549,768 | \$ 1,850,762 | \$ 300,994 |
| Use of Money and Property | | | | |
| Investment income (loss) | 40,000 | 40,000 | (26,315) | (66,315) |
| Lease revenue | 48,813 | 48,813 | 47,195 | (1,618) |
| Intergovernmental | 13,300 | 13,300 | 24,451 | 11,151 |
| Charges for current services | 434,150 | 434,150 | 679,282 | 245,132 |
| Total revenues | <u>2,086,031</u> | <u>2,086,031</u> | <u>2,575,375</u> | <u>489,344</u> |
| Expenditures: | | | | |
| Cemetery Services | | | | |
| Salary and employee benefits | 912,053 | 977,527 | 872,541 | 104,986 |
| Services and supply | 894,062 | 877,062 | 711,804 | 165,258 |
| Debt service | | | | |
| Principal | 154,518 | 154,518 | 154,518 | - |
| Interest | 132,044 | 132,044 | 132,044 | - |
| Capital outlay | 181,228 | 196,788 | 210,453 | (13,665) |
| Total expenditures | <u>2,273,905</u> | <u>2,337,939</u> | <u>2,081,360</u> | <u>256,579</u> |
| Change in fund balance | <u>\$ (187,874)</u> | <u>\$ (251,908)</u> | 494,015 | <u>\$ 232,765</u> |
| Fund balance, beginning of fiscal year | | | <u>3,525,147</u> | |
| Fund balance, end of fiscal year | | | <u>\$ 4,019,162</u> | |

SOLANO CEMETERY DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PLAN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2022**

| <u>Reporting 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> |
|-----------------------|-------------------------------------------------------------------|----------------------------------------------------------------------------|--------------------------------------------|----------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|
| 6/30/2015 | 0.01510% | \$344,918 | \$578,025 | 59.67% | 83.76% |
| 6/30/2016 | 0.01982% | \$543,782 | \$564,977 | 96.25% | 81.09% |
| 6/30/2017 | 0.01039% | \$360,766 | \$592,796 | 60.86% | 91.17% |
| 6/30/2018 | 0.00571% | \$224,956 | \$615,969 | 36.52% | 92.53% |
| 6/30/2019 | 0.00459% | \$173,020 | \$635,137 | 27.24% | 92.90% |
| 6/30/2020 | 0.00681% | \$272,766 | \$574,513 | 47.48% | 89.99% |
| 6/30/2021 | 0.00847% | \$357,082 | \$590,919 | 60.43% | 89.03% |
| 6/30/2022 | 0.00475% | \$(90,245) | \$532,865 | -16.94% | 86.52% |

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

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, only information for those years for which information is available is presented.

SOLANO CEMETERY DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT CONTRIBUTIONS
JUNE 30, 2022**

| <u>Reporting 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> |
|-----------------------|------------------------------------------------|-------------------------------------------------------------------------------------|---------------------------------------------|------------------------------------------------|--------------------------------------------------------------------------|
| 6/30/2015 | \$82,710 | (\$82,710) | \$0 | \$578,025 | 14.31% |
| 6/30/2016 | \$88,697 | (\$88,697) | \$0 | \$564,977 | 15.70% |
| 6/30/2017 | \$61,865 | (\$61,865) | \$0 | \$592,796 | 10.44% |
| 6/30/2018 | \$62,456 | (\$62,456) | \$0 | \$615,969 | 10.14% |
| 6/30/2019 | \$70,260 | (\$70,260) | \$0 | \$635,137 | 11.06% |
| 6/30/2020 | \$73,994 | (\$73,994) | \$0 | \$574,513 | 12.88% |
| 6/30/2021 | \$76,529 | (\$76,529) | \$0 | \$590,919 | 12.95% |
| 6/30/2022 | \$78,831 | (\$78,831) | \$0 | \$532,865 | 14.79% |

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

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, only information for those years for which information is available is presented.

SOLANO CEMETERY DISTRICT

**NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2022**

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 Trustee's.