

OAK GROVE CEMETERY DISTRICT

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REPORT ON AUDIT OF  
FINANCIAL STATEMENTS

FOR THE YEAR ENDED  
JUNE 30, 2018

# SANBORN & SANBORN ACCOUNTANCY CORPORATION

CERTIFIED PUBLIC ACCOUNTANTS

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November 1, 2018

To the Board of Directors  
Oak Grove Cemetery District  
Laton, California

I have audited the financial statements of Oak Grove Cemetery District (District) for the year ended June 30, 2018. Professional standards require that I provide you with information about my responsibilities under generally accepted auditing standards and generally accepted accounting principles, as well as certain information related to the planned scope and timing of my audit. I have communicated such information in my letter to you dated October 1, 2018. Professional standards also require that I communicate to you the following information related to my audit.

## Significant Audit Findings

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the two years ended June 30, 2018. I noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the District's financial statements is recognition of depreciation expense on capital assets.

Management's estimate of depreciation appears reasonable.

The financial statements are neutral, consistent and clear.

### *Difficulties Encountered in Performing the Audit*

I encountered no significant difficulties in dealing with management in performing and completing my audit.

### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting or auditing matter, whether or not resolved to my satisfaction that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

OAK GROVE CEMETERY DISTRICT  
REPORT ON AUDIT OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018

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INDEPENDENT AUDITOR'S REPORT

November 1, 2018

Board of Directors  
Oak Grove Cemetery District  
Laton, California

**Report on the Financial Statements**

I have audited the accompanying financial statements of the governmental activities of Oak Grove Cemetery District, State of California, as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable in financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

## Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Oak Grove Cemetery District, State of California, as of June 30, 2018 and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages three through six and the statement of revenue, expenditures and changes in fund balance – budget and actual on page 20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers them to be essential parts of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. I 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated November 1, 2018 on my consideration of Oak Grove Cemetery District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Sanborn and Sanborn  
Accountancy Corporation*

CERTIFIED PUBLIC ACCOUNTANTS

**OAK GROVE CEMETERY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2018**

As management of Oak Grove Cemetery District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with information that is included within the financial statements.

**Financial Highlights**

- Liabilities of the District exceeded its assets as of June 30, 2018 by \$208,509. This entire amount is either invested in capital assets or restricted for maintenance of cemetery facilities. As of June 30, 2017, assets exceeded liabilities by \$167,403 with this entire amount either invested in capital assets or restricted for maintenance of cemetery facilities.
- Total net position increased by \$41,106 for the year ended June 30, 2018. For the year ended June 30, 2017, total net position decreased by \$9,907.
- As of the close of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$142,022, an increase of \$50,446 in comparison with the prior year. None of this amount is unassigned and available for spending. For the year ended June 30, 2017, the District's governmental funds had a combined ending fund balance of \$91,576, with none of it being unassigned and available for spending. There was an increase of \$39,432 in the combined ending fund balance in the prior year.
- During the current year, the District's fixed assets decreased by a net of \$9,340. The increase was attributable to the purchase of equipment less depreciation. Depreciation expense, the ratable amortization of the cost of fixed assets, amounted to \$9,340 for the current year. Prior year depreciation was \$6,988.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to Oak Grove Cemetery District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets and liabilities, with the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's 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, revenue and expense are reported in this statement for some items that will only result in cash flow in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the District that are principally non business in nature (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include cemetery activities, primarily for the residents of the Oak Grove area of Fresno County. The District has no business-type activities.

The government-wide financial statements include only the District itself. The District has no component units.

**Fund financial statements.** A fund is a grouping of related accounts that is 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 demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and proprietary funds. The District has no proprietary funds and only two governmental funds, the General Fund and the Endowment Care Fund.

**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 on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing 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 revenue, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between the two.

**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.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain other supplementary information.

### **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of June 30, 2018, the District's liabilities exceeded assets by ~~\$167,403~~ <sup>208,509</sup>. A significant portion of the District's net position (\$66,487) reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. Capital assets are used to provide services to customers and they are not available for future spending.

In addition, \$346,735 (166 percent) of the District's net position is restricted for specific uses and is not available for future spending.

The following represent summaries of the District's net position and changes in net position for the current and prior years:

**Oak Grove Cemetery District's Net Position**

	<u>Governmental Activities</u>	<u>Current Year Total</u>	<u>Prior Year Total</u>
Current assets	\$ 335,273	\$ 335,273	\$ 274,230
Other assets	<u>442,833</u>	<u>442,833</u>	<u>427,416</u>
Total assets	<u>778,106</u>	<u>778,106</u>	<u>701,646</u>
Current liabilities	15,007	15,007	17,180
Deferred inflows	<u>554,590</u>	<u>554,590</u>	<u>517,063</u>
Total liabilities and deferred inflow	<u>569,597</u>	<u>569,597</u>	<u>534,243</u>
Net position:			
Invested in capital assets, net of related debt	66,487	66,487	75,827
Restricted - nonspendable	346,735	346,735	325,085
Restricted - spendable	31,731	31,731	26,504
Unrestricted	<u>(236,444)</u>	<u>(236,444)</u>	<u>(260,013)</u>
Total net position	<u>\$ 208,509</u>	<u>\$ 208,509</u>	<u>\$ 167,403</u>

**Oak Grove Cemetery District's Changes in Net Position**

	<u>Governmental Activities</u>	<u>Current Year Total</u>	<u>Prior Year Total</u>
Program revenue			
Charges for services	\$ 126,286	\$ 126,286	\$ 83,299
Capital grants and contributions	<u>2,320</u>	<u>2,320</u>	<u>1,000</u>
Total program revenue	128,606	128,606	84,299
Expense			
Cemetery activities	<u>223,811</u>	<u>223,811</u>	<u>221,601</u>
Increase/(decrease) in net position before general revenue	(95,205)	(95,205)	(137,302)
General revenue and other items	<u>136,311</u>	<u>136,311</u>	<u>127,395</u>
Increase/(decrease) in net position	41,106	41,106	(9,907)
Net position, beginning of year	<u>167,403</u>	<u>167,403</u>	<u>177,310</u>
Net position, end of year	<u>\$ 208,509</u>	<u>\$ 208,509</u>	<u>\$ 167,403</u>



**Governmental activities.** Governmental activities increased the District's net position by \$41,106, accounting for 100 percent of the total decline in net position.

### **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 purpose of the District's governmental fund financial statements is to provide information on near-term inflows, 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 June 30, 2018, the District's governmental funds reported combined ending fund balances of \$142,022, an increase of \$50,446 in comparison to the prior year. Of the combined ending fund balance, none is unassigned and available for spending at the District's discretion.

### **Capital Asset and Debt Administration**

**Capital assets.** The District's investment in capital assets for its governmental activities as of June 30, 2018 amounted to \$66,487 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements and equipment.

Additional information on the District's capital assets can be found in note five.

**Debt administration.** The District had no long-term debt as of June 30, 2018.

### **Economic Factors and Next Year's Budgets and Rates**

The General Fund budget for the year ending June 30, 2019 projects a surplus of \$43,380. Compared to the current year, revenue is anticipated to increase by \$35,876 while expenditures are expected to increase by \$16,065. Sales and services revenue is anticipated to increase by \$29,047 in 2018/2019. Expenditures for salaries, wages and employee benefits are expected to increase by \$8,247, while services and supplies are expected to increase by \$7,818 and no capital outlay is expected.

### **Requests for Information**

This financial report is designed to provide a general overview of Oak Grove Cemetery District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the District Manager, Oak Grove Cemetery District, 19811 South Cedar Avenue, Laton, California 93242.

OAK GROVE CEMETERY DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2018

Assets	
Current assets	
Cash and cash equivalents	\$ 179,571
Investments	132,180
Interest receivable	706
Inventory	10,820
Prepaid expense	<u>11,996</u>
Total current assets	<u>335,273</u>
Other assets	
Restricted for endowment - cash	365,641
Restricted for endowment - investments	10,000
Restricted for endowment - interest receivable	705
Capital assets (net of allowance for depreciation)	<u>66,487</u>
Total other assets	<u>442,833</u>
Total assets	<u>778,106</u>
Liabilities	
Current liabilities	
Accounts payable and accrued expense	15,007
Deferred inflows	
Pre-need deposits	<u>554,590</u>
Total liabilities and deferred inflows	<u>569,597</u>
Net Position	
Invested in capital assets	66,487
Restricted - nonspendable	346,735
Restricted - spendable	31,731
Unrestricted/(deficit)	<u>(236,444)</u>
Total net position	<u>\$ 208,509</u>

See accompanying notes to financial statements.

OAK GROVE CEMETERY DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Expense</u>	<u>Program Revenue</u>		<u>Net Revenue/ (Expense)</u>
		<u>Charges for Services</u>	<u>Capital Grants and Contributions</u>	
Governmental operations				
Cemetery activities	\$ <u>223,811</u>	\$ <u>126,286</u>	\$ <u>2,320</u>	\$ <u>(95,205)</u>
General revenue				
Property taxes				106,359
Interest				7,727
Intergovernmental				964
Net increase/(decrease) in fair value of investments				<u>(389)</u>
Total general revenue				<u>114,661</u>
Revenue over/(under expense)				19,456
Other items				
Contributions to endowment				<u>21,650</u>
Change in net position				41,106
Net position, beginning of year				<u>167,403</u>
Net position, end of year				<u>\$ 208,509</u>

See accompanying notes to financial statements.

OAK GROVE CEMETERY DISTRICT  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2018

	<u>General Fund</u>	<u>Endowment Care Fund</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Cash on hand	\$ 20	\$	\$ 20
Cash in bank	17,129	214,174	231,303
Cash in county treasury	160,302	153,587	313,889
Investments	132,180	10,000	142,180
Interest receivable	706	705	1,411
Inventory	10,820		10,820
Prepaid expense	<u>11,996</u>		<u>11,996</u>
	<u>\$ 333,153</u>	<u>\$ 378,466</u>	<u>\$ 711,619</u>
<b>Liabilities and Fund Balance</b>			
<b>Current liabilities</b>			
Accounts payable and accrued expense	\$ 15,007	\$	\$ 15,007
<b>Deferred inflows</b>			
Pre-need deposits	<u>554,590</u>		<u>554,590</u>
Total liabilities and deferred inflows	<u>569,597</u>		<u>569,597</u>
<b>Fund balance</b>			
Nonspendable	22,816	346,735	369,551
Restricted		31,731	31,731
Unassigned/(deficit)	<u>(259,260)</u>		<u>(259,260)</u>
Total fund balance	<u>(236,444)</u>	<u>378,466</u>	<u>142,022</u>
	<u>\$ 333,153</u>	<u>\$ 378,466</u>	<u>\$ 711,619</u>

See accompanying notes to financial statements.

OAK GROVE CEMETERY DISTRICT  
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE  
SHEET TO NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2018

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances – total governmental funds	\$ 142,022
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds	<u>66,487</u>
Net position of governmental activities	<u>\$ 208,509</u>

See accompanying notes to financial statements.

OAK GROVE CEMETERY DISTRICT  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUE, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Endowment Care Fund	Total Governmental Funds
Revenue			
Sales and services	\$ 126,286	\$ 21,650	\$ 147,936
Property taxes	106,359		106,359
Interest	2,353	5,374	7,727
Other	2,320		2,320
Intergovernmental	964		964
Net increase/(decrease) in fair value of investments	<u>(362)</u>	<u>(27)</u>	<u>(389)</u>
Total revenue	<u>237,920</u>	<u>26,997</u>	<u>264,917</u>
Expenditures			
Current			
Salaries and wages	98,598		98,598
Employee benefits	38,217		38,217
Utilities	16,403		16,403
Cost of sales	13,025		13,025
Insurance	9,063		9,063
Repairs and maintenance	6,759		6,759
Travel and transportation	6,642		6,642
Legal and professional	6,165	120	6,285
Operating supplies and small tools	5,542		5,542
Communications	5,428		5,428
Uniforms and laundry	4,622		4,622
Office supplies and postage	2,530		2,530
Dues and memberships	1,357		1,357
Capital outlay	<u>          </u>	<u>          </u>	<u>          </u>
Total expenditures	<u>214,351</u>	<u>120</u>	<u>214,471</u>
Revenue over/(under) expenditures	23,569	26,877	50,446
Fund balance, beginning of year	<u>(260,013)</u>	<u>351,589</u>	<u>91,576</u>
Fund balance, end of year	<u>\$ (236,444)</u>	<u>\$ 378,466</u>	<u>\$ 142,022</u>

See accompanying notes to financial statements.

OAK GROVE CEMETERY DISTRICT  
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF  
REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE  
TO CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018

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

Net change in fund balances – total governmental funds	\$ 50,446
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period	<u>(9,340)</u>
Change in net position of governmental activities	<u>\$ (41,106)</u>

See accompanying notes to financial statements.

OAK GROVE CEMETERY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018

Note 1: Summary of Significant Accounting Policies

Oak Grove Cemetery District was organized November 7, 1929 upon the approval of the Board of Supervisors of Fresno County. The District was organized to serve Fresno County primarily in the Laton, California area. As the District is a governmental unit, it is exempt from federal and California taxes on income.

The accounting and reporting policies of the District conform to generally accepted accounting principles applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Government Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units*, and by the Financial Accounting Standards Board (when applicable).

A. Financial Reporting Entity

As required by generally accepted accounting principles, these general purpose financial statements present the District in conformance with GASB Statement No. 14, "The Financial Reporting Entity." Under Statement No. 14, component units are organizations that are included in the District's reporting entity because of the significance of their operational or financial relationships with the District. The District has no component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements, which are the statement of net position and the statement of activities, report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or activity are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenue include charges to customers and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported in separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds financial statements. Revenues are recorded when earned and expenses are recorded when liabilities are incurred, regardless of the timing of related cash flow. Property taxes are recognized as revenue in the year in which they are levied. Grants and similar items are recognized as revenue when all eligibility requirements imposed by the provider have been met.



OAK GROVE CEMETERY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018

Note 1: Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

The financial statements of the District are presented using the full accrual method of accounting and conform to accounting principles generally accepted in the United States of America and with the policies and procedures of the office of the State Controller, State of California. The District's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements, as well as applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with the GASB pronouncements. The District's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, District revenues are available if they are collected within 60 days of the end of the current period. Expenditures generally are recorded when liabilities are incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due.

The District reports the following major governmental funds:

The General Fund is the District's major operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Endowment Care Fund accounts for legislative mandated maintenance activities of the District.

Amounts reported as program revenue include charges to customers for goods and services, operating grants and contributions and capital grants and contributions.

D. Assets, Liabilities and Net Position or Equity

1. Cash and Investments

Investments are reported at fair value. Cash represents cash on hand, in banks and on deposit in the Fresno County Treasury. Investments made from pooled cash consist primarily of short-term investments.

2. Inventory

Inventory consists of expendable supplies held for consumption and are stated at cost on the first-in, first-out basis. The stated value of inventory is not spendable.

OAK GROVE CEMETERY DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2018

Note 1: Summary of Significant Accounting Policies (continued)

Assets, Liabilities and Net Position or Equity (continued)

3. Property, Plant and Equipment

Capital assets, which include property, plant and equipment are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of five years. All material fixed assets are valued at historical cost. Donated fixed assets are valued at their estimated fair value on the date donated. When an asset is disposed of, cost and related accumulated depreciation is removed and any gain or loss arising from its disposal is credited or charged to operations.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Depreciation is recorded by using the straight-line method. The book value of each asset is reduced by equal amounts over its estimated useful life as follows:

	Estimated Useful Life in Years
Buildings	10 – 40
Land improvements	10 – 40
Equipment	5 – 10

4. Fund Equity

In the fund financial statements, governmental funds report fund balance amounts in the following classifications: Nonspendable, restricted, committed, assigned and unassigned. Nonspendable amounts represent inventories, prepaid items and long-term receivables. Restricted amounts have been restricted by external bodies. Committed amounts have been restricted by the District's governing board. Assigned amounts represent tentative designations by the District. Unassigned amounts are spendable and are not restricted, committed or assigned.

5. Net Position

Net position comprise the various net earnings from operating income, nonoperating revenue and expense and capital contributions. Net position are classified in the following three components:

*Invested in capital assets, net of related debt* – 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 improvements of those assets. 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 invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net asset components as the unspent proceeds.

OAK GROVE CEMETERY DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2018

Note 1: Summary of Significant Accounting Policies (continued)

Assets, Liabilities and Net Position or Equity (continued)

*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 do not meet the definition of restricted or invested in capital assets, net of related debt.

E. Budgets and Budgetary Accounting

The District established a budget for its governmental fund for the year ended June 30, 2018. The budget is adopted on a basis consistent with generally accepted accounting principles (GAAP).

F. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 2: Cash

The District's deposits as of June 30, 2018, were entirely covered by federal depository insurance or otherwise collateralized. The Government Code of the State of California requires California financial institutions to secure District deposits by pledging government securities as collateral.

The following is an analysis of cash as of June 30, 2018:

	<u>Bank Balance Category*</u>			<u>Carrying Amount</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
Cash on hand	\$ 20	\$	\$	\$ 20
Cash in banks	231,303			231,303
County of Fresno		313,889		313,889
	<u>\$ 231,323</u>	<u>\$ 313,889</u>	<u>\$</u>	<u>\$ 545,212</u>

\* These categories are as follows:

Category 1: Cash on hand or insured by the Federal Deposit Insurance Corporation or collateralized with securities held by the District or by its agents in the District's name.

Category 2: Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

Category 3: Uncollateralized.

OAK GROVE CEMETERY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018

Note 3: Investments

Investment represents various marketable securities at Morgan Stanley Smith Barney. As of June 30, 2018 these securities had an estimated value of \$142,542 and are not insured by the Federal Deposit Insurance Corporation, but are insured by Securities Investor Protection Corporation up to \$500,000.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment securities that are in the possession of an outside party. None of the underlying securities for the District's investments as of June 30, 2018 are subject to custodial credit risk, as they are held in an account in the District's name and by an agent who is not the counterparty to the investment transactions. As of June 30, 2018, the District had the following investments:

U.S. Government Securities	\$ 132,180
U.S. Treasury Notes	<u>10,000</u>
	<u>\$ 142,180</u>

Note 4: Inventory

Inventory as of June 30, 2018 consisted of the following:

Vaults and vases	\$ <u>10,820</u>
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Note 5: Property, Plant and Equipment

The following is an analysis of the District's fixed assets as of June 30, 2018:

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
Land (not depreciated)	\$ 5,000	\$	\$	\$ 5,000
Buildings and improvements	106,394			106,394
Equipment	<u>149,001</u>	<u>          </u>	<u>          </u>	<u>149,001</u>
Total	260,395			260,395
Allowance for depreciation	<u>(184,568)</u>	<u>(9,340)</u>	<u>          </u>	<u>(193,908)</u>
	<u>\$ 75,827</u>	<u>\$ (9,340)</u>	<u>\$</u>	<u>\$ 66,487</u>

Note 6: Accounts Payable

Accounts payable as of June 30, 2018 consisted of the following:

Trade payables	\$ 13,361
Payroll and sales taxes payable	1,076
Sales tax payable	<u>570</u>
	<u>\$ 15,007</u>

OAK GROVE CEMETERY DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2018

Note 7: Sales and Service

Charges for current sales and services for the year ended June 30, 2018 consisted of the following:

Vault sales	\$ 43,523
Land sales	31,520
Grave openings	31,063
Nonresident charges	9,901
Marker settings	9,079
Saturday services	<u>1,200</u>
 Total General Fund (program revenue)	 126,286
 Endowment care	 <u>21,650</u>
	 <u>\$ 147,936</u>

Note 8: Endowment Care Fund

The Endowment Care Fund was established to provide for the perpetual care of the cemetery through interest generated from fees collected. Through June 30, 2018, \$346,735 had been received by the Fund and must remain within the Fund, while \$31,731 in accumulated interest earnings is available for cemetery maintenance. During the year ended June 30, 2018, no dollars were transferred from the Endowment Care Fund to the General Fund for cemetery care and maintenance. A budget is not legally required for this Fund.

Note 9: Deficit Fund Balance

The General Fund had a deficit fund balance of \$236,444 as of June 30, 2018.

Note 10: Fund Balance – Nonspendable and Restricted

The following is an analysis of reserved and designated fund balances as of June 30, 2018:

Nonspendable for	
Endowment	\$ 346,735
Inventory and prepaid expense	22,816
Restricted for cemetery maintenance	<u>31,731</u>
	 <u>\$ 401,282</u>

Note 11: Prior Period Adjustment

As of July 1, 2017, the District changed its accounting policy regarding the sale of cemetery plots to be used in the future. Prior to that date, those types of transactions were included within deferred inflows – pre-need deposits. After that date, those types of transactions were included within sales. This change resulted in increases in net assets and general fund fund balance of \$173,792.

OAK GROVE CEMETERY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018

Note 12: Subsequent Events

Events affecting the District subsequent to June 30, 2018 through November 1, 2018 have been evaluated and included within these financial statements when applicable.

Note 13: Board of Directors

Members of the Board of Directors as of June 30, 2018, were as follows:

Richard D. Schultz	President
Richard M. Alves	Director
Gene W. Davis	Director

Judy Escalera is the Manager and Secretary of the District.

OAK GROVE CEMETERY DISTRICT  
GENERAL FUND  
STATEMENT OF REVENUE, EXPENDITURES AND  
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund		
	Budget - Original and Final	Actual	Variance - Favorable/ (Unfavorable)
Revenue			
Sales and services	\$ 108,631	\$ 126,286	\$ 17,655
Property taxes	109,299	106,359	(2,940)
Interest	3,264	2,353	(911)
Other		2,320	2,320
Intergovernmental		964	964
Net increase/(decrease) in fair value of investments		(362)	(362)
Total revenue	<u>221,194</u>	<u>237,920</u>	<u>16,726</u>
Expenditures			
Current			
Salaries and wages	88,960	98,598	(9,638)
Employee benefits	32,326	38,217	(5,891)
Utilities	15,562	16,403	(841)
Cost of sales	14,845	13,025	1,820
Insurance	761	9,063	(8,302)
Repairs and maintenance	29,151	6,759	22,392
Travel and transportation	8,447	6,642	1,805
Legal and professional	5,804	6,165	(361)
Operating supplies and small tools	9,265	5,542	3,723
Communications	5,319	5,428	(109)
Uniforms and laundry	4,013	4,622	(609)
Office supplies and postage	3,834	2,530	1,304
Dues and memberships	1,109	1,357	(248)
Miscellaneous	153		153
Capital outlay			
Total expenditures	<u>219,549</u>	<u>214,351</u>	<u>5,198</u>
Revenue over/(under) expenditures	1,645	23,569	21,924
Fund balance, beginning of year	<u>(260,013)</u>	<u>(260,013)</u>	
Fund balance, end of year	<u>\$ (258,368)</u>	<u>\$ (236,444)</u>	<u>\$ 21,924</u>

See accompanying notes to financial statements.

**SANBORN & SANBORN ACCOUNTANCY CORPORATION**  
CERTIFIED PUBLIC ACCOUNTANTS

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

INDEPENDENT AUDITOR'S REPORT

November 1, 2018

Board of Directors  
Oak Grove Cemetery District  
Laton, California

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Oak Grove Cemetery District as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued my report thereon dated November 1, 2018.

**Internal Control Over Financial Reporting**

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

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

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



**Compliance and Other Matters**

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

**Purpose of the Report**

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

*Sanborn and Sanborn  
Accountancy Corporation*

CERTIFIED PUBLIC ACCOUNTANTS