

KIMSHEW CEMETERY DISTRICT
MAGALIA, CALIFORNIA

FINANCIAL STATEMENTS
WITH REVIEWER'S REPORT

FOR THE FISCAL YEARS ENDED
JUNE 30, 2017 & 2016

Table of Contents

	<u>Page</u>
Independent Accountant's Review Report	1 - 2
<u>June 30, 2017</u>	
Government-wide Financial Statements	
Statement of Net Position	3
Statement of Activities	4
Fund Financial Statements	
Balance Sheet - Governmental Funds	5
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	6
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	7
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	8
Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual - General Fund	9
Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual - Permanent Fund - Endowment Principal	10
<u>June 30, 2016</u>	
Government-wide Financial Statements	
Statement of Net Position	11
Statement of Activities	12
Fund Financial Statements	
Balance Sheet - Governmental Funds	13
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	14
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	15
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual - General Fund	17
Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual - Permanent Fund - Endowment Principal	18
Notes to the Financial Statements	19-28



INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
KimsheW Cemetery District
Magalia, CA 95954

We have reviewed the accompanying financial statements of the governmental activities of KimsheW Cemetery District as of and for the years ended June 30, 2017 and 2016 which collectively comprise the District's basic financial statements as listed in the table of contents. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the management of KimsheW Cemetery District. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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 designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

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The Kimshew Cemetery District has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This review of the basic financial statements is not affected by this missing information.

A handwritten signature in blue ink that reads "Matthews, Hutton & Warren". The signature is written in a cursive, flowing style.

Matthews, Hutton and Warren, CPAs
October 25, 2017

Kimshew Cemetery District
Statement of Net Position
June 30, 2017

	<u>Governmental-type Activities</u>
<u>ASSETS</u>	
Cash in County Treasury	\$ 41,045
Restricted Cash in County Treasury	144,446
Accounts receivable	-
Interest receivable	486
Prepaid expenses	-
Capital assets:	
Land	90,878
Other capital assets, net of accum. depr.	<u>19,777</u>
Total Assets	<u><u>296,632</u></u>
<u>LIABILITIES</u>	
Accounts payable	328
Warrants payable	4,978
Noncurrent liabilities:	
Liability for compensated absences	
Due in less than one year	<u>2,354</u>
Total Liabilities	<u><u>7,660</u></u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Pre-need deferred revenue	<u>20,951</u>
Total Deferred Inflows of Resources	<u><u>20,951</u></u>
<u>NET POSITION</u>	
Investment in capital assets - net of related debt	110,655
Restricted for Endowed Care	119,780
Unrestricted	<u>37,586</u>
Total Net Position	<u><u>\$ 268,021</u></u>

The accompanying notes are an integral part of this statement.

KimsheW Cemetery District
Statement of Activities
For the year ended June 30, 2017

<u>Functions/Programs</u>	Program Revenues				Net (expense)
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue	
Primary government:					
Governmental activities:					
General Fund	\$ 98,598	\$ 35,957	\$ -	\$ -	\$ (62,641)
		Governmental Activities			
Changes in net position:					
Net (expense) revenue			\$ (62,641)		
General revenues:					
Taxes			67,176		
Endowed Care			2,270		
Investment income			251		
Changes in net position			7,056		
Net position, beginning			260,965		
Net position, ending			\$ 268,021		

The accompanying notes are an integral part of this statement.

Kimshew Cemetery District
Balance Sheet - Governmental Funds
Year Ended June 30, 2017

	General Fund	<u>Permanent Fund</u> Endowment Principal	Total Governmental Funds
<u>Assets</u>			
Cash in County Treasury	\$ 41,045	\$ -	\$ 41,045
Restricted Cash in County Treasury	24,666	119,780	144,446
Accounts receivable	-	-	-
Interest receivable	486	-	486
Prepaid expenses	-	-	-
 Total Assets	 <u>\$ 66,197</u>	 <u>\$ 119,780</u>	 <u>\$ 185,977</u>
<u>Liabilities</u>			
Accounts payable	\$ 328	\$ -	\$ 328
Warrants payable	4,978	-	4,978
 Total Liabilities	 <u>5,306</u>	 <u>-</u>	 <u>5,306</u>
<u>Deferred Inflows of Resources</u>			
 Pre-need deferred revenue	 <u>20,951</u>	 <u>-</u>	 <u>20,951</u>
 Total Deferred Inflows of Resources	 <u>20,951</u>	 <u>-</u>	 <u>20,951</u>
<u>Fund Balances</u>			
Restricted for:			
Endowed care	-	119,780	119,780
Unassigned	39,940	-	39,940
 Total Fund Balances	 <u>39,940</u>	 <u>119,780</u>	 <u>159,720</u>
 Total Liabilities, Deferred Inflows, and Fund Balances	 <u>\$ 66,197</u>	 <u>\$ 119,780</u>	 <u>\$ 185,977</u>

The accompanying notes are an integral part of this statement.

KimsheW Cemetery District
 Reconciliation of the Governmental Funds
 Balance Sheet to the Statement of Net Position

		<u>Year Ended June 30, 2017</u>
Total fund balances – governmental funds		\$159,720
<p>In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.</p>		
Capital assets at historical cost	\$310,022	
Accumulated depreciation	<u>(199,367)</u>	
Net		110,655
<p>Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities are reported. Long-term liabilities relating to governmental activities consist of:</p>		
Compensated absences payable		<u>(2,354)</u>
Net position of governmental activities		<u>\$268,021</u>

The accompanying notes are an integral part of this statement.

KimsheW Cemetery District
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2017

	General Fund	<u>Permanent Fund</u> Endowment Principal	Total Governmental Funds
Revenues:			
Taxes:			
Current secured property taxes	\$ 61,510	\$ -	\$ 61,510
Current supplemental property taxes	791	-	791
Current unsecured property taxes	3,109	-	3,109
Prior property taxes	72	-	72
Miscellaneous taxes	837	-	837
Reserved for Endowed Care	-	2,270	2,270
Interest income	251	-	251
Aid from other governmental agencies:			
State: Homeowners' property tax relief	857	-	857
Charges for current services	35,957	-	35,957
 Total Revenues	 103,384	 2,270	 105,654
 Expenditures:			
Salaries and benefits	71,739	-	71,739
Services and supplies	26,508	-	26,508
Miscellaneous	425	-	425
 Total Expenditures	 98,672	 -	 98,672
 Excess (deficiency) of revenues over expenditures			
	4,712	2,270	6,982
Fund balance at beginning of year	35,228	117,510	152,738
 Fund balance at end of year	 \$ 39,940	 \$ 119,780	 \$ 159,720

The accompanying notes are an integral part of this statement

KimsheW Cemetery District
 Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of
 Government Funds to the Statement of Activities

	<u>Year Ended June 30, 2017</u>
Net Change in Fund Balances – Total governmental funds	\$6,982
Amounts reported for governmental activities in the statement of activities are different because:	
<p style="margin-left: 40px;">Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:</p>	
Capital outlay incurred in the current year	0
Depreciation	<u>(983)</u>
	(983)
<p>The amounts below included in the Statement of Activities do not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):</p>	
Compensated absences	<u>1,057</u>
Change in Net Position of Governmental Activities	<u>\$7,056</u>

The accompanying notes are an integral part of this statement.

Kimshew Cemetery District
 Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
 Budget and Actual - General Fund
 Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Revenues:				
Taxes (note 5):				
Current secured property taxes	\$ 57,470	\$ 57,470	\$ 61,510	\$ 4,040
Current supplemental property taxes	400	400	791	391
Current unsecured property taxes	3,000	3,000	3,109	109
Prior property taxes	80	80	72	(8)
Miscellaneous taxes	900	900	837	(63)
Reserved for Endowed Care	-	-	-	-
Interest income	250	250	251	1
Aid from other governmental agencies:				
State: Homeowners' property tax relief	900	900	857	(43)
Charges for current services	29,000	29,000	35,957	6,957
Transfers in	<u>7,500</u>	<u>7,500</u>	<u>-</u>	<u>(7,500)</u>
Total Revenues	<u>99,500</u>	<u>99,500</u>	<u>103,384</u>	<u>3,884</u>
Expenditures:				
Salaries and benefits	71,750	71,750	71,739	(11)
Services and supplies	26,619	26,619	26,508	(111)
Miscellaneous	<u>1,000</u>	<u>1,000</u>	<u>425</u>	<u>(575)</u>
Total Expenditures	<u>99,369</u>	<u>99,369</u>	<u>98,672</u>	<u>(697)</u>
Excess (deficiency) of revenues over expenditures	131	131	4,712	4,581
Fund balance at beginning of year	<u>35,228</u>	<u>35,228</u>	<u>35,228</u>	<u>-</u>
Fund balance at end of year	<u>\$ 35,359</u>	<u>\$ 35,359</u>	<u>\$ 39,940</u>	<u>\$ 4,581</u>

The accompanying notes are an integral part of this statement.

KimsheW Cemetery District
 Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
 Budget and Actual - Permanent Fund - Endowment Principal
 Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Revenues:				
Taxes:				
Current secured property taxes	\$ -	\$ -	\$ -	\$ -
Current supplemental property taxes	-	-	-	-
Current unsecured property taxes	-	-	-	-
Prior property taxes	-	-	-	-
Miscellaneous taxes	-	-	-	-
Reserved for Endowed Care	-	-	2,270	2,270
Interest income	-	-	-	-
Aid from other governmental agencies:				
State: Homeowners' property tax relief	-	-	-	-
Charges for current services	-	-	-	-
 Total Revenues	 -	 -	 2,270	 2,270
Expenditures:				
Salaries and benefits	-	-	-	-
Services and supplies	-	-	-	-
Miscellaneous	-	-	-	-
 Total Expenditures	 -	 -	 -	 -
Excess (deficiency) of revenues over expenditures	-	-	2,270	2,270
Fund equity at beginning of year	117,510	117,510	117,510	-
Fund balance at end of year	<u>\$ 117,510</u>	<u>\$ 117,510</u>	<u>\$ 119,780</u>	<u>\$ 2,270</u>

The accompanying notes are an integral part of this statement.

Kimshew Cemetery District
Statement of Net Position
June 30, 2016

	Governmental-type Activities
<u>ASSETS</u>	
Cash in County Treasury	\$ 34,487
Restricted Cash in County Treasury	141,949
Accounts receivable	-
Interest receivable	374
Prepaid expenses	472
Capital assets:	
Land	90,878
Other capital assets, net of accum. depr.	20,760
Total Assets	288,920
<u>LIABILITIES</u>	
Accounts payable	-
Warrants payable	3,788
Noncurrent liabilities:	
Liability for compensated absences	
Due in less than one year	3,411
Total Liabilities	7,199
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Pre-need deferred revenue	20,756
Total Deferred Inflows of Resources	20,756
<u>NET POSITION</u>	
Investment in capital assets - net of related debt	111,638
Restricted for Endowed Care	24,439
Unrestricted	124,888
Total Net Position	\$ 260,965

The accompanying notes are an integral part of this statement.

KimsheW Cemetery District
Statement of Activities
For the year ended June 30, 2016

Functions/Programs	Program Revenues				Net (expense)
Primary government:	Expenses	Charges for	Operating	Capital	Revenue
Governmental activities:	Services	Grants and	Grants and	Contributions	Contributions
General Fund	\$ 94,833	\$ 33,259	\$ -	\$ -	\$ (61,574)
			Governmental Activities		
Changes in net position:					
Net (expense) revenue			\$ (61,574)		
General revenues:					
Taxes			64,848		
Endowed Care			3,285		
Investment income			2,735		
Miscellaneous revenue			46		
Changes in net position			9,340		
Net position, beginning			252,431		
Prior year adjustment			(806)		
Net position, ending			\$ 260,965		

The accompanying notes are an integral part of this statement.

Kimshew Cemetery District
Balance Sheet - Governmental Funds
Year Ended June 30, 2016

	<u>General Fund</u>	<u>Permanent Fund Endowment Principal</u>	<u>Total Governmental Funds</u>
<u>Assets</u>			
Cash in County Treasury	\$ 34,487	\$ -	\$ 34,487
Restricted Cash in County Treasury	24,439	117,510	141,949
Accounts receivable	-	-	-
Interest receivable	374	-	374
Prepaid expenses	472	-	472
Total Assets	<u>\$ 59,772</u>	<u>\$ 117,510</u>	<u>\$ 177,282</u>
<u>Liabilities</u>			
Accounts payable	\$ -	\$ -	\$ -
Warrants payable	3,788	-	3,788
Total Liabilities	<u>3,788</u>	<u>-</u>	<u>3,788</u>
<u>Deferred Inflows of Resources</u>			
Pre-need deferred revenue	<u>20,756</u>	<u>-</u>	<u>20,756</u>
Total Deferred Inflows of Resources	<u>20,756</u>	<u>-</u>	<u>20,756</u>
<u>Fund Balances</u>			
Restricted for:			
Endowed care	24,439	117,510	141,949
Unassigned	<u>10,789</u>	<u>-</u>	<u>10,789</u>
Total Fund Balances	<u>35,228</u>	<u>117,510</u>	<u>152,738</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 59,772</u>	<u>\$ 117,510</u>	<u>\$ 177,282</u>

The accompanying notes are an integral part of this statement.

KimsheW Cemetery District
 Reconciliation of the Governmental Funds
 Balance Sheet to the Statement of Net Position

	<u>Year Ended June 30, 2016</u>
Total fund balances – governmental funds	\$152,738
<p>In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.</p>	
Capital assets at historical cost	\$310,022
Accumulated depreciation	<u>(198,384)</u>
Net	111,638
<p>Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities are reported. Long-term liabilities relating to governmental activities consist of:</p>	
Compensated absences payable	<u>(3,411)</u>
Net position of governmental activities	<u>\$260,965</u>

The accompanying notes are an integral part of this statement.

KimsheW Cemetery District
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2016

	General Fund	Permanent Fund Endowment Principal	Total Governmental Funds
Revenues:			
Taxes:			
Current secured property taxes	\$ 59,317	\$ -	\$ 59,317
Current supplemental property taxes	546	-	546
Current unsecured property taxes	3,035	-	3,035
Prior property taxes	108	-	108
Miscellaneous taxes	983	-	983
Reserved for Endowed Care	-	3,285	3,285
Interest income	2,735	-	2,735
Aid from other governmental agencies:			
State: Homeowners' property tax relief	859	-	859
Charges for current services	33,259	-	33,259
Miscellaneous revenue	46	-	46
 Total Revenues	 100,888	 3,285	 104,173
Expenditures:			
Salaries and benefits	66,762	-	66,762
Services and supplies	25,473	-	25,473
Miscellaneous	1,700	-	1,700
 Total Expenditures	 93,935	 -	 93,935
Excess (deficiency) of revenues over expenditures	6,953	3,285	10,238
Fund balance at beginning of year	28,275	114,225	142,500
 Fund balance at end of year	 \$ 35,228	 \$ 117,510	 \$ 152,738

The accompanying notes are an integral part of this statement

KimsheW Cemetery District
 Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of
 Government Funds to the Statement of Activities

	<u>Year Ended June 30, 2016</u>
Net Change in Fund Balances – Total governmental funds	\$10,238
Amounts reported for governmental activities in the statement of activities are different because:	
<p style="margin-left: 40px;">Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:</p>	
Capital outlay incurred in the current year	0
Depreciation	<u>(983)</u>
	(983)
<p>The amounts below included in the Statement of Activities do not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):</p>	
Compensated absences	<u>85</u>
Change in Net Position of Governmental Activities	<u>\$9,340</u>

The accompanying notes are an integral part of this statement.

Kimshew Cemetery District
 Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
 Budget and Actual - General Fund
 Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Revenues:				
Taxes (note 5):				
Current secured property taxes	\$ 55,925	\$ 55,925	\$ 59,317	\$ 3,392
Current supplemental property taxes	300	300	546	246
Current unsecured property taxes	2,800	2,800	3,035	235
Prior property taxes	80	80	108	28
Miscellaneous taxes	740	740	983	243
Reserved for Endowed Care	-	-	-	-
Interest income	255	255	2,735	2,480
Aid from other governmental agencies:				
State: Homeowners' property tax relief	900	900	859	(41)
Charges for current services	26,000	26,000	33,259	7,259
Miscellaneous revenue	-	-	46	46
Total Revenues	<u>87,000</u>	<u>87,000</u>	<u>100,888</u>	<u>13,888</u>
Expenditures:				
Salaries and benefits	66,807	66,807	66,762	(45)
Services and supplies	26,791	26,791	25,473	(1,318)
Miscellaneous	1,700	1,700	1,700	-
Total Expenditures	<u>95,298</u>	<u>95,298</u>	<u>93,935</u>	<u>(1,363)</u>
Excess (deficiency) of revenues over expenditures	(8,298)	(8,298)	6,953	15,251
Fund balance at beginning of year	<u>28,275</u>	<u>28,275</u>	<u>28,275</u>	<u>-</u>
Fund balance at end of year	<u>\$ 19,977</u>	<u>\$ 19,977</u>	<u>\$ 35,228</u>	<u>\$ 15,251</u>

The accompanying notes are an integral part of this statement.

Kimshew Cemetery District
 Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
 Budget and Actual - Permanent Fund - Endowment Principal
 Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Revenues:				
Taxes:				
Current secured property taxes	\$ -	\$ -	\$ -	\$ -
Current supplemental property taxes	-	-	-	-
Current unsecured property taxes	-	-	-	-
Prior property taxes	-	-	-	-
Miscellaneous taxes	-	-	-	-
Reserved for Endowed Care	-	-	3,285	3,285
Interest income	-	-	-	-
Aid from other governmental agencies:				
State: Homeowners' property tax relief	-	-	-	-
Charges for current services	-	-	-	-
Total Revenues	<u>-</u>	<u>-</u>	<u>3,285</u>	<u>3,285</u>
Expenditures:				
Salaries and benefits	-	-	-	-
Services and supplies	-	-	-	-
Miscellaneous	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	-	-	3,285	3,285
Fund equity at beginning of year	<u>114,225</u>	<u>114,225</u>	<u>114,225</u>	<u>-</u>
Fund balance at end of year	<u>\$ 114,225</u>	<u>\$ 114,225</u>	<u>\$ 117,510</u>	<u>\$ 3,285</u>

The accompanying notes are an integral part of this statement.

KIMSHEW CEMETERY DISTRICT
Fiscal Years Ended June 30, 2016 & 2017

NOTES TO THE FINANCIAL STATEMENTS

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The KimsheW Cemetery District provides a cemetery in which the residents of the district may be buried. Encompassing approximately 191 square miles, the KimsheW Cemetery District is bordered by Plumas County to the east, Tehama County to the north, the town of Paradise to the south, and the community of Forest Ranch to the west. The District includes no incorporated city, but includes the unincorporated communities of Stirling City and Butte Meadows. The District owns and maintains four active cemeteries and various inactive “pioneer” historic cemeteries. Active cemeteries include Magalia, Stirling City, Nimshew, and Coutolenc. The District sells plots and provides internment services to district residents as well as non-residents meeting specified criteria. It collects an Endowment Care deposit to provide for future funding of cemetery care.

The District’s basic financial statements include the operations of all organizations for which the Board of Trustees exercises oversight responsibility. Oversight responsibility is demonstrated by financial interdependency, selection of the governing authority, designation of management, ability to significantly influence operations, and accountability of fiscal matters.

No operations of other entities met the aforementioned oversight criteria for inclusion or exclusion from the accompanying basic financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASB Statement No.39.

B. Basis of Presentation

The District’s financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

Government-wide Statements

The Statement of Net Position and the Statement of Activities display information about the primary government. These statements include the financial activities of the overall District government. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

KIMSHEW CEMETERY DISTRICT
Fiscal Years Ended June 30, 2016 & 2017

NOTES TO THE FINANCIAL STATEMENTS

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

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

Fund Financial Statements

The fund financial statements provide information about the District's funds. The emphasis of fund financial statements is on major individual funds, each of which is displayed in a separate column.

Fund Equity

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, or unassigned. Nonspendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by creditors, grantors, or contributors or by enabling legislation or constitutional provisions. Committed fund balance is a limitation imposed by the District board through approval of resolutions. Assigned fund balances is a limitation imposed by a designee of the District board. Unassigned fund balance in the General Fund is the net resources in excess of what can be properly classified in one of the above four categories. Negative unassigned fund balance in other governmental funds represents excess expenditures incurred over the amounts restricted, committed, or assigned to those purposes. Proprietary fund equity is classified the same as in the government-wide statements.

When both restricted and unrestricted fund balances are available for use, it is the District's policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

Restricted Net Position

For the government-wide financial statements, net position is reported as restricted when constraints placed on net position are either: (1) Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

KIMSHEW CEMETERY DISTRICT
Fiscal Years Ended June 30, 2016 & 2017

NOTES TO THE FINANCIAL STATEMENTS

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Major Funds

GASB Statement No. 34 defines major funds and requires that the District's major governmental funds are identified and presented separately in the fund financial statements.

Major funds are defined as funds that have either assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures equal to ten percent of their fund-type total. The General Fund is always a major fund.

The District reported the following major governmental funds in the accompanying financial statements:

General Fund

This fund accounts for all financial resources except those to be accounted for in another fund. It is the general operating fund of the District.

Endowment Principal Fund

This fund is a permanent fund that accounts for endowed care principal.

Endowment Interest Fund

This fund is a fiduciary fund for the benefit of the KimsheW Cemetery District. As such, the assets are reported as reserved assets of the General Fund.

Pre-Need Fund

This fund represents deferred revenue of the General Fund and is, therefore, reported by the General Fund.

D. Basis of Accounting

The government-wide financial statements are reported using *the economic resources measurement focus* and the full *accrual basis* of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Governmental funds are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Under this method, revenues are recognized when *measurable and available*. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after fiscal year-end.

KIMSHEW CEMETERY DISTRICT
Fiscal Years Ended June 30, 2016 & 2017

NOTES TO THE FINANCIAL STATEMENTS

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent that they have matured. Capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as *other financing sources*.

Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Other revenues susceptible to accrual include other taxes, intergovernmental revenues, interest, and charges for services.

E. Budgetary Principles

The District prepares and legally adopts a final operating budget on or before October 1 each fiscal year. Until the adoption of this final budget, operations are governed by the proposed budget approved by the Board in July. The Board then adopts the final budget by August 1, and submits it to Butte County. Butte County adjusts the budget to reflect their most current estimates of tax revenue. These adjustments are automatically accepted by the Board.

F. Capital Assets

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair value on the date contributed. The District's policy is to capitalize all capital assets with costs exceeding a minimum threshold of \$1,000.

The purpose of depreciation is to spread the cost of capital assets equitable among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of cost of capital assets. GASB Statement No. 34 requires that all capital assets with limited useful lives be depreciated over their estimated useful lives. Depreciation is provided using the straight line method which means the cost of the capital asset is divided by its expected useful life in years and the result is charged to expense each year until the capital asset is fully depreciated. The District has assigned the useful lives listed below to capital assets.

KIMSHEW CEMETERY DISTRICT
Fiscal Years Ended June 30, 2016 & 2017

NOTES TO THE FINANCIAL STATEMENTS

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Capital Assets (Continued)

Structures	40 Years
Improvements	40 Years
Equipment	7 Years
Office furniture and equipment	3-7 Years

G. Property Taxes

The District receives property taxes from Butte County (County), which has been assigned the responsibility for assessment, collection, and apportionment of property taxes for all taxing jurisdictions within the County. The District's property taxes are levied each July 1, on the assessed values as of the prior January 1, for all real and personal property located in the District. Property sold after the assessment date (January 1) is reassessed and the amount of supplemental property tax levied is prorated. Secured property taxes are due in two installments on November 1, and February 1, and are delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on January 1 lien date and become delinquent if unpaid by August 31. Property tax revenues are recognized in the fiscal year they are received.

The District participates in the County "Teeter Plan" method of property tax distribution and thus receives 100% of the District's apportionment each fiscal year, eliminating the need for an allowance for uncollectible taxes. The County, in return, receives all penalties and interest on the related delinquent taxes. Under the Teeter Plan, the County remits property taxes to the District based on assessments, not collections, according to the following schedule: 55 percent in December, 40 percent in April, and 5 percent as the end of the fiscal year.

H. Use of Estimates

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

(2) CASH AND INVESTMENTS

The District's cash and investments at June 30, 2016 consisted of the following:

Cash and investments with the County Treasurer	\$176,436
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KIMSHEW CEMETERY DISTRICT
Fiscal Years Ended June 30, 2016 & 2017

NOTES TO THE FINANCIAL STATEMENTS

(2) CASH AND INVESTMENTS (Continued)

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 rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code and the District's investment policy, and the actual rating as of fiscal year end for each investment type:

<u>June 30, 2016</u>		Minimum	Exempt	Rating as of Fiscal Year End		
<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Legal Rating</u>	<u>From Disclosure</u>	<u>AAA</u>	<u>Aa</u>	<u>Not Rated</u>
Butte County Investment Pool	\$ 176,436	N/A	\$ 176,436	\$ -	\$ -	\$ -
Total	<u>\$ 176,436</u>		<u>\$ 176,436</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

<u>June 30, 2017</u>		Minimum	Exempt	Rating as of Fiscal Year End		
<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Legal Rating</u>	<u>From Disclosure</u>	<u>AAA</u>	<u>Aa</u>	<u>Not Rated</u>
Butte County Investment Pool	\$ 185,491	N/A	\$ 185,491	\$ -	\$ -	\$ -
Total	<u>\$ 185,491</u>		<u>\$ 185,491</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

D. Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government code. There are no investments in any one issuer that represent 5% or more of total District investments.

E. 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 deposits or will not be able to recover collateral securities that are in the possession of an outside 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, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool

KIMSHEW CEMETERY DISTRICT
Fiscal Years Ended June 30, 2016 & 2017

NOTES TO THE FINANCIAL STATEMENTS

(2) CASH AND INVESTMENTS (Continued)

E. Custodial Credit Risk (Continued)

held by a depository regulated under state law (unless so waived by the governmental 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 trust deed mortgage notes having a value of 150% of the secured public deposits.

None of the District's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

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 or 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 investments.

With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as Butte County Investment Pool).

(3) CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2016 & 2017 was as follows:

	Balance July 1, 2015	Additions	Prior year Adjustment	Deletions	Balance June 30, 2016
Land	\$ 90,878	\$ -	\$ -	\$ -	\$ 90,878
Depreciable capital assets	219,144	-	-	-	219,144
Less: accumulated depreciation	(196,595)	983	806	-	(198,384)
Net depreciable capital assets	<u>22,549</u>	<u>983</u>	<u>806</u>	<u>-</u>	<u>20,760</u>
Net capital assets	<u>\$ 113,427</u>	<u>\$ 983</u>	<u>\$ 806</u>	<u>\$ -</u>	<u>\$ 111,638</u>

Depreciation expense for the fiscal year ended June 30, 2016 was \$983 and has been recorded in the General Fund in the Statement of Activities.

KIMSHEW CEMETERY DISTRICT
Fiscal Years Ended June 30, 2016 & 2017

NOTES TO THE FINANCIAL STATEMENTS

(3) CAPITAL ASSETS (Continued)

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Land	\$ 90,878	\$ -	\$ -	\$ 90,878
Depreciable capital assets	219,144	-	-	219,144
Less: accumulated depreciation	<u>(198,384)</u>	<u>983</u>	<u>-</u>	<u>(199,367)</u>
Net depreciable capital assets	<u>20,760</u>	<u>983</u>	<u>-</u>	<u>19,777</u>
Net capital assets	<u>\$ 111,638</u>	<u>\$ 983</u>	<u>\$ -</u>	<u>\$ 110,655</u>

Depreciation expense for the fiscal year ended June 30, 2017 was \$983 and has been recorded in the General Fund in the Statement of Activities.

(4) LONG-TERM DEBT

Compensated Absences

This represents the liability that the district would have to pay its employees if the District ceased to conduct business on the balance sheet date. Vacation is accrued at the rate of 40 hours per year for full-time personnel only.

Changes in Long-Term debt

Long-term debt activity for the fiscal years ended June 30, 2016 was as follows:

	Balance June 30, 2015	Additions	Reductions	Balance June 30, 2016
Compensated absences	<u>\$ 3,496</u>	<u>\$ -</u>	<u>\$ 85</u>	<u>\$ 3,411</u>

Long-term debt activity for the fiscal years ended June 30, 2017 was as follows:

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017
Compensated absences	<u>\$ 3,411</u>	<u>\$ -</u>	<u>\$ 1,057</u>	<u>\$ 2,354</u>

KIMSHEW CEMETERY DISTRICT
Fiscal Years Ended June 30, 2016 & 2017

NOTES TO THE FINANCIAL STATEMENTS

(5) REVENUE LIMITATION IMPOSED BY CALIFORNIA PROPOSITION 218

Proposition 218 regulates the District's ability to impose, increase, and extend taxes, assessments, and fees. Any new, increased, or extended taxes, assessments, and fees subject to the provisions of Proposition 218 require voter approval before they can be implemented. Additionally Proposition 218 provides that these taxes, assessments, and fees are subject to the voter initiative process and may be rescinded in the future years by the voters.

(6) PRIOR YEAR ADJUSTMENT

Accumulated depreciation was adjusted at June 30, 2016 to reflect fully depreciated equipment.

(7) APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Manager and authorized for issue on October 25, 2017. Subsequent events through that date have been considered in these financial statements.