

**Twentynine Palms
Public Cemetery District**

Report on Audit

June 30, 2023

Twentynine Palms Public Cemetery District

June 30, 2023

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Twentynine Palms Public Cemetery District
Twentynine Palms, California

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Twentynine Palms Public Cemetery District (the "District"), as of and for the year ended June 30, 2023, 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 accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Twentynine Palms Public Cemetery District, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the State Controller's Office and the State regulations governing Special Districts.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the reporting guidelines for California Special Districts required by the Office of the State Controller. 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 the 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 opinions.

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 the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 opinions. 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 GAAS 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 are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, 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 the 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 the 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7 and the budgetary comparison information on page 26 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Board of Directors
Twentynine Palms Public Cemetery District

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. The 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.

Messner & Hadley, LLP.

Messner & Hadley, LLP
Apple Valley, California
November 16, 2023

Twentynine Palms Public Cemetery District

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

As management of the District, we offer readers of our financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2023.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the year by \$694,832. The amount that may be used to meet the District's ongoing obligations to citizens and creditors is \$188,722.
- As of the close of the current fiscal year, the District governmental funds reported combined ending fund balances of \$345,399, an increase of \$92,547 in comparison with the prior year.
- At the end of the current year, unreserved fund balance for the general fund was \$112,452 or 38% of the total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 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 difference between the two reported as net position. 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 takes place, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in the statement for certain items that will only result in cash flows in future fiscal periods.

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 used fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund financial statements report essentially the same functions as those reported in the government-wide financial statements. However, unlike government-wide financial statements, 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*.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate the comparison between governmental funds and government-wide statements. The District adopts an annual appropriated budget for its funds. Budgetary comparison statements have been provided for each fund to demonstrate compliance with the budget.

Twentynine Palms Public Cemetery District

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Basic Financial Statements can be found on pages 17 to 25 of this report.

Required Supplementary Information

In addition to the Basic Financial Statements and accompanying notes, this report also presents required supplementary information concerning the budgetary comparison schedule. The Note to this schedule can be found on page 27 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the net position and the changes in net position of the District's governmental activities.

Net Position

The following schedule is a condensed Statement of Net Position, as of the year ended June 30, 2023, as compared to the prior year.

	Governmental Activities		
	<u>2023</u>	<u>2022</u>	<u>Change</u>
Assets			
Current and other assets	\$ 425,807	\$ 337,578	\$ 88,229
Capital assets	<u>352,163</u>	<u>373,742</u>	<u>(21,579)</u>
Total assets	<u>777,970</u>	<u>711,320</u>	<u>66,650</u>
Liabilities			
Current and other liabilities	-	-	-
Long-term liabilities	<u>83,138</u>	<u>86,802</u>	<u>(3,664)</u>
Total liabilities	<u>83,138</u>	<u>86,802</u>	<u>(3,664)</u>
Net position			
Invested in capital assets, net of related debt	273,163	294,742	(21,579)
Restricted	232,947	219,673	13,274
Unrestricted	<u>188,722</u>	<u>110,103</u>	<u>78,619</u>
TOTAL NET POSITION	<u>\$ 694,832</u>	<u>\$ 624,518</u>	<u>\$ 70,314</u>

Twentynine Palms Public Cemetery District

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

Net position invested in capital assets, net of related debt, reflect the District's investment in capital assets (i.e., structures and improvements, and equipment) and represent 39% of total net position. The District uses the capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Restricted net position reflects resources that are subject to external restrictions on how they may be used, and represent 34% of total net assets. Unrestricted net position represents 27% of total net position and may be used to meet the District's ongoing obligations to staff members and creditors.

Net position may serve over time as a useful indicator of a government's financial position. The District's assets exceed liabilities by \$694,832 at the close of this fiscal year. The most significant portion of the District's net assets is its cash and investments balance \$339,837. A significant portion of cash and investments are maintained in the San Bernardino County's cash and investment pool where interest earned on the District's balance is apportioned to the District.

Governmental Activities

The objective of the Statement of Activities is to report the full cost of providing government services for the year. The Statement of Activities also presents information showing how the District's net position changed during the year. All changes in net position are reported as soon as the underlying event occurs regardless of the timing of the cash flows.

	Governmental Activities		
	2023	2022	Change
Program revenues	\$ 51,122	\$ 60,647	\$ (9,525)
General revenues	341,094	299,153	41,941
Total revenues	392,216	359,800	32,416
Expenses			
Salaries and benefits	134,358	119,359	14,999
Services and supplies	114,034	137,197	(23,163)
Utilities	11,296	12,489	(1,193)
Professional services	12,928	12,602	326
Other expense	-	-	-
Depreciation	43,472	41,365	2,107
Total expenses	316,088	323,012	(6,924)
CHANGE IN NET POSITION	76,128	36,788	39,340
Net position			
Beginning of year	624,520	587,732	36,788
Prior Period Adjustment	(5,816)		(5,816)
End of year	\$ 694,832	\$ 624,520	\$ 70,312

Twentynine Palms Public Cemetery District

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

The District's net position increased overall by \$70,312 during the 2022-2023 fiscal year.

FINANCIAL ANALYSIS OF THE DISTRICT'S GENERAL FUND

The focus of the District's governmental funds 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, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

For the year ended June 30, 2023, the District reported an ending fund balance of 111,303, an increase of \$78,419 from the prior year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets for its governmental activities, as of June 30, 2023, amounts to \$352,163 (net of accumulated depreciation). This investment in capital assets includes structures, improvements, equipment and vehicles.

Debt Administration

The District's long-term debt obligations consist of compensated absences payable and Interfund Note Payable.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's financial position for all interested parties. Questions concerning any information in this report or requests for additional financial information should be addressed to the Twentynine Palms Public Cemetery District, 5350 Encelia Avenue, Twentynine Palms, California 92277.

BASIC FINANCIAL STATEMENTS –
GOVERNMENT-WIDE FINANCIAL STATEMENTS

Twentynine Palms Public Cemetery District

STATEMENT OF NET POSITION

June 30, 2023

	<u>Governmental Activities</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 339,837
Interest receivable	2,198
Taxes receivable	2,945
Trust Corpus Receivable	78,000
Inventory	<u>2,827</u>
Total current assets	425,807
Noncurrent assets	
Capital assets	
Land	23,797
Structures and improvements	653,544
Equipment and vehicles	246,920
Less accumulated depreciation	<u>(572,098)</u>
Total noncurrent assets	<u>352,163</u>
TOTAL ASSETS	<u><u>\$ 777,970</u></u>

See the accompanying notes and auditors' report

Twentynine Palms Public Cemetery District

STATEMENT OF NET POSITION

June 30, 2023

	<u>Governmental Activities</u>
Liabilities and Net Position	
Current liabilities	
Accounts payable	2,407
Interfund Note Payable	<u>1,000</u>
Total current liabilities	\$ 3,407
Noncurrent liabilities	
Compensated Absences	2,731
Trust Corpus Note	<u>77,000</u>
Total noncurrent liabilities	<u>\$ 79,731</u>
 Total liabilities	 83,138
 Net position	
Invested in capital assets, net of depreciation	273,163
Restricted	232,947
Unrestricted	<u>188,722</u>
Total net position	<u>\$ 694,832</u>
 TOTAL LIABILITIES AND NET POSITION	 <u>\$ 777,970</u>

See the accompanying notes and auditors' report

Twentynine Palms Public Cemetery District

STATEMENT OF ACTIVITIES For the Year Ended June 30, 2023

	Governmental Activities
Program expenses	
Salaries and benefits	\$ 134,358
Services and supplies	114,034
Utilities	11,296
Professional services	12,928
Depreciation	<u>43,472</u>
Total program expenses	316,088
Program revenues	
Charges for services	<u>51,122</u>
Total program revenues	<u>51,122</u>
Net program revenues (expenses)	(264,966)
General revenues (expenses)	
Property taxes	283,973
Interest and investment income	5,701
Transfers	<u>51,420</u>
Total non-operating revenues (expenses)	<u>341,094</u>
INCREASE IN NET POSITION	76,128
Net position	
Beginning , July 1, 2022	624,519
Prior Period Adjustment	<u>(5,816)</u>
Ending June 30, 2023	<u>694,831</u>

See the accompanying notes and auditors' report

BASIC FINANCIAL STATEMENTS –
FUND FINANCIAL STATEMENTS

Twentynine Palms Public Cemetery District

GOVERNMENTAL FUNDS – BALANCE SHEET

June 30, 2023

	General	Permanent Fund Endowment Care	Total Governmental Funds
Assets			
Cash and cash equivalents	184,890	\$ 154,947	339,837
Interest receivable	1,049	1,149	2,198
Taxes receivable	2,944	-	2,944
Trust Corpus Receivable	-	78,000	78,000
Inventory	2,827	-	2,827
Total Assets	<u>\$ 191,710</u>	<u>\$ 234,096</u>	<u>\$ 425,806</u>
Current Liabilities			
Accounts payable	2,407	-	2,407
InterFund Payable	1,000	-	1,000
Total Current Liabilities	<u>\$ 3,407</u>	<u>-</u>	<u>\$ 3,407</u>
Long-Term Liabilities			
Interfund Note Payable	<u>77,000</u>	<u>-</u>	<u>77,000</u>
Total liabilities	\$ 80,407	-	\$ 80,407
Fund balances			
Reserved			
Endowment principal - nonexpendable	\$ -	\$ 232,947	\$ 232,947
Unreserved	<u>111,303</u>	<u>1,149</u>	<u>112,452</u>
Total fund balances	<u>\$ 111,303</u>	<u>234,096</u>	<u>\$ 345,399</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 191,710</u>	<u>\$ 234,096</u>	<u>\$ 425,806</u>

See the accompanying notes and auditors' report

Twentynine Palms Public Cemetery District

Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position June 30, 2023

Fund balance - governmental funds	\$ 345,399
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Cost of capital assets	924,261	
Accumulated depreciation	<u>(572,098)</u>	352,163

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the

Compensated absences	<u>(2,731)</u>
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TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	<u><u>\$ 694,831</u></u>
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See the accompanying notes and auditors' report

Twentynine Palms Public Cemetery District

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

For the Year Ended June 30, 2023

	General	Endowment Care	Governmental Funds
Revenues			
Charges for services	40,573	10,550	51,123
Property taxes	283,972	-	283,972
Interest and investment income	2,122	3,578	5,700
Total revenues	326,667	14,128	340,795
Expenditures			
Salaries and employee benefits	133,701	-	133,701
Services and supplies	135,927	-	135,927
Utilities	11,296	-	11,296
Professional services	12,928	-	12,928
Total expenditures	\$ 293,852	\$ -	\$ 293,852
Excess of revenues over/under expenditures	\$ 32,815.00	\$ 14,128.00	\$ 46,943.00
Other financing sources			
Transfers in	51,420	-	51,420
Total other financing sources and uses	\$ 51,420	\$ -	\$ 51,420
NET CHANGES IN FUND BALANCE	\$ 84,235	\$ 14,128	\$ 98,363
Fund Balances			
Beginning July 1, 2022	32,884	219,968	252,852
Prior Period Adjustment	(5,816)		(5,816)
Ending June 30, 2023	\$ 111,303	\$ 234,096	\$ 345,399

See the accompanying notes and auditors' report

Twentynine Palms Public Cemetery District

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities
For the Year Ended June 30, 2023

Total net changes in fund balances - governmental funds	\$ 98,363
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Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.

Expenditures for capital assets	21,893
Sales/return of capital assets	-
Less: current year depreciation	<u>(43,472)</u>

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in compensated absences	<u>(655)</u>
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CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES	<u><u>\$ 76,129</u></u>
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See the accompanying notes and auditors' report

Twentynine Palms Public Cemetery District

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2023

	Private-Purpose Trust Fund Pre-Need Burial
Assets	
Cash and cash equivalents	179,111
Accounts receivable	16,692
Accounts receivable services	<u>1,907</u>
TOTAL ASSETS	<u><u>\$ 197,710</u></u>
Net Position	
Restricted	<u>197,710</u>
Total net position	<u><u>\$ 197,710</u></u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 197,710</u></u>

See the accompanying notes and auditors' report

Twentynine Palms Public Cemetery District

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

June 30, 2023

	Private-Purpose Trust Fund Pre-Need Burial
Additions	
Contributions	28,942
Investment Earnings - Interest	4,842
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Total Additions	\$ 33,784
Deductions	
Transfers Out	51,420
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Total Deductions	\$ 51,420
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Changes in Net Position	\$ (17,636)
Net Position - Beginning	215,346
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Net Position - Ending	<u><u>\$ 197,710</u></u>

See the accompanying notes and auditors' report

Twentynine Palms Public Cemetery District

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Description of Reporting Entity

Twentynine Palms Public Cemetery District (the “District”) was formed in 1934 and is an independent special district located within the County of San Bernardino. The District was established to provide cemetery service to the community of Twentynine Palms, California.

The District includes all activities (operations of its administrative staff and District officers) considered to be a part of the District. The District reviewed the criteria developed by the Governmental Accounting Standards Board (GASB) relating to the financial reporting entity to determine whether the District is financially accountable for other entities. The District has determined that no other outside entity meets the above criteria and, therefore, no agency has been included as a component unit in the financial statements. In addition, the District is not aware of any entity that would be financially accountable for the District that would result in the District being considered a component unit of that entity.

Measurement Focus and 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 non-fiduciary financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. *Governmental activities*, which are normally supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely, to a significant extent, on fees and information sales. At June 30, 2023, the District had no business-type activities.

The Statement of Activities demonstrates the degree to which the program expenses of a given function or identifiable activity is offset by program revenues. Program expenses are those that are clearly identifiable with a specific function or identifiable activity, and allocated indirect expenses. Program revenues include fees, fines and charges paid by the recipient of goods, services, or privileges provided by the program, and 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, including all taxes and investment earnings, are presented as general revenues.

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

Fund Financial Statements – The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category — *governmental* and *fiduciary* — are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

Governmental funds are used to account for activities that are governmental in nature. Governmental activities are typically tax-supported and include the operations and maintenance of the cemetery.

Fiduciary funds are used to account for assets held by the District in a trustee or agency capacity for other that cannot be used to support the District's own programs.

Twentynine Palms Public Cemetery District

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Major Governmental Funds:

1. **General Fund** – The general fund is the main operating fund of the District. It is used to account for all activities except those that are required to be accounted for in another fund. In keeping with the minimum number of funds principle, all of a District's activities are reported in the general fund unless there is a compelling reason to account for an activity in another fund. A District may have only one general fund.
2. **Permanent / Endowment Fund** – This fund is used to account for resources that are restricted to the extent that earnings, but not principal, may be used for purposes that support the District's operations. The principal may never be spent.

Fiduciary Funds:

These funds are used to account for assets held by the District in a trustee or agency capacity for others that cannot be used to support the District's own programs.

1. **Pre-Need Fund** – The Pre-Need Burial Fund is a private-purpose trust fund which transfers funds from its earnings to the general fund to finance burial expenditures.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to timing of the measurements made, regardless of the measurement focus applied.

Government-Wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, includes grants, entitlements and donations. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligible requirements have been satisfied.

Fund Financial Statements – The governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenue susceptible to accrual includes taxes, interests, and intergovernmental revenue if their receipt occurs within sixty days after the end of the accounting period so as to be measurable and available. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

Cash and Investments

The District maintains nearly all of its cash in the San Bernardino County Treasury. The County pools these funds with those of other entities in the County and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool. The Treasurer's investments and policies are overseen by the San Bernardino County Treasury Oversight Committee. Additional information regarding the categorization of investments can be found in the County of San Bernardino's financial statements.

Twentynine Palms Public Cemetery District

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Capital Assets

Capital assets are stated on the basis of historical cost, or if historical cost is not determinable, at estimated historical costs. Capital acquisitions are reflected as expenditures in the governmental fund types with the related asset reported in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$1,000. Capital assets used in operations are depreciated or amortized (assets under capital leases) under the straight-line method over the lesser of the capital lease period or their estimated useful lives in the government-wide financial statements. A full year of depreciation is taken in the year of acquisition. No depreciation is taken in the year of disposal.

Estimated useful lives are as follows:

Structures and improvements	15-45 years
Equipment and vehicles	6-20 years

Compensated Absences

Accumulated leave benefits include vacation salaries and are reported in the government-wide financial statements. These amounts would not be expected to be liquidated from expendable available financial resources, but would be expected to be liquidated in future years as employees elect to use these benefits as prescribed by Civil Service rules and regulations.

No liability is recorded for non-vesting accumulated rights to receive sick pay benefits. District employees have accumulated unpaid vested benefits of \$2,730 at June 30, 2023.

Fund Balance Reserves and Designation

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

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

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

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

Twentynine Palms Public Cemetery District

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

Prior Period Adjustment

The District was carrying a Prepaid Expenditure asset for many years. This represented prepaid workers compensation expense that has been written off to a prior period, as not to mislead the user as to the current periods actual expenses. The amount written off to a prior period is \$5,816.

Net Position

Net Position represents the difference between assets and liabilities. Net Position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The District has \$78,000 of related debt outstanding as of June 30, 2023. Net Position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The district-wide financial statements report \$233,001 of restricted net position.

Interfund Activity

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

Use of Estimates

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 at the date of financial statements and the reported net income during the reporting period. Actual results could differ from those estimates.

Budgetary Data

The District adopts an annual budget on or before June 30. From the effective date of the budget, the amounts stated as proposed expenditures become appropriation.

Twentynine Palms Public Cemetery District

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE 3 – POOLED CASH AND INVESTMENTS

Cash on hand and on deposit, as of June 30, 2023, consisted of the following:

	Governmental Funds		Fiduciary Fund
	General (MAV)	Permanent Fund Endowment Care (MBA)	Private-Purpose Trust Fund Pre-Need Burial (MAY)
Cash in County Treasury	\$ 178,129	\$ 154,947	\$ 179,110
Cash on Hand and in Banks	6,761	-	-
Total Cash	\$ 184,890	\$ 154,947	\$ 179,110

Cash in County Treasury

A significant majority of the District's cash is pooled with the San Bernardino County Treasurer, who acts as a disbursing agent for the District. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the Treasury Pool for the entire Treasury Pool portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on accounting records maintained by the Treasury pool, which are recorded on an amortized cost basis. Interest earned on investments pooled with the County is allocated quarterly to the appropriate fund based on its respective average daily balance for that quarter. The Treasury Oversight Committee has regulatory oversight for all monies deposited into the Treasury Pool.

Investment Guidelines

The District's pooled cash and investments are invested pursuant to investment policy guidelines established by the County Treasurer and approved by the Board of Supervisors. The objectives of this policy are, in order of priority: safety of capital, liquidity and maximum rate of return. The policy addresses the soundness of financial institutions in which the County will deposit funds, types of investment instruments as permitted by the California Government Code 53601, and the percentage of the portfolio that may be invested in certain instruments with longer terms to maturity.

A copy of the Treasury Pool investment policy is available upon request from the San Bernardino County Treasurer.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, one of the ways that the Treasury Pool manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturing evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Twentynine Palms Public Cemetery District

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Credit Risk

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 investment with the San Bernardino County Investment Pool is unrated.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, 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 held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. In addition, the California Government Code limits the total of all securities lending transactions to 20% of the fair value of the investment portfolio.

Concentration of Credit Risk

The investment policy of the County contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. For a listing of investments in any one issuer (other than U.S. Treasury securities, mutual funds, or external investment pools) that represent 5% or more of total County investments, refer to the 2023 San Bernardino County CAFR.

NOTE 4 – RESTRICTED CASH

Cash and cash equivalents and investments that are restricted by legal or contractual requirements, at June 30, 2023, are comprised of the following:

Permanent Fund – Endowment Care – Restricted cash and investments of \$154,947 represents principal (corpus) that is legally restricted for perpetual maintenance of the District.

Twentynine Palms Public Cemetery District

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE 5 – CAPITAL ASSETS

Capital asset activity, for the year ended June 30, 2023 is as follows:

GOVERNMENTAL ACTIVITIES	Balance June 30, 2022	Additions	Retirements	Balance June 30, 2023
Capital assets not being depreciated:				
Land	23,797	\$ -	\$ -	\$ 23,797
Capital assets, being depreciated:				
Structures and improvements	653,544	-	-	653,544
Vehicles	109,080	-	-	109,080
Equipment	115,947	21,893	-	137,840
Total capital assets being depreciated	878,571	21,893		900,464
Less accumulated depreciation for:				
Structure and improvements	389,179	22,495	-	411,674
Vehicles	95,828	5,151	-	100,979
Equipment	43,619	15,826	-	59,445
Total accumulated depreciation	528,626	43,472	-	572,098
Capital assets, being depreciated, net	349,945	(21,579)	-	328,366
Total net capital assets	\$ 373,742	\$ (21,579)	\$ -	\$ 352,163

Depreciation expense of \$43,472 was charged for the year ended June 30, 2023.

NOTE 6 – COMPENSATED ABSENCES

When employment with the District is terminated, an employee will receive compensation for all unused annual leave hours. The following is a summary of earned compensated absences for the District for the year ended June 30, 2023:

Balance, June 30, 2022	\$ 2,074
Additions (Deletions), Net	<u>656</u>
Balance, June 30, 2023	<u>\$ 2,730</u>

Twentynine Palms Public Cemetery District

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE 7 – INTERFUND NOTE PAYABLE

The General Fund borrowed \$80,000 from the Endowment Care Fund for building and grounds repairs in 2021. At the May 2021 Board Meeting the Directors of the Cemetery District voted on and approved a payment schedule of \$1,000 annually from the General Fund to the Endowment Care fund.

	Balance July 1, 2022	Additions	Reductions	Due in one year	Long-term balance June 30, 2023
Interfund Note Payable	79,000	-	1,000	1,000	77,000
	<u>\$ 79,000</u>	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 77,000</u>

As of June 30, 2023, the annual maturities of long-term debt are as follows:

Year ending June 30,	
2023	1,000
2024	1,000
2025	1,000
2026	1,000
2027-2101	74,000
	<u>78,000</u>

NOTE 8 – TRANSFERS IN / OUT

Interfund Transfers In/Out transactions are used to close out a fund, reimburse an operating fund, and transfer cash between funds. At June 30, 2023, the District made the following Interfund transfers:

Fund	Purpose	Amount
Pre-Need MAY	To General Fund from Pre-Need Fund to pay for expenses	51,420
		<u>\$ 51,420</u>

NOTE 9 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft or damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters.

The District is insured with the Special Districts Risk Management Authority for general liability, property damage, employee dishonesty, automobile liability and worker's compensation insurance for all employees in extra or full time positions. Unemployment insurance is provided through the State of California's Employment Development Department.

NOTE 10 – SUBSEQUENT EVENTS

Management has reviewed its financial statements and evaluated subsequent events for the period of time from its year ended June 30, 2023 through November 16, 2023, the date the financial statements were issued. Management is not aware of any subsequent events that would require recognition or disclosure in the accompanying financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

Twentynine Palms Public Cemetery District

BUDGETARY COMPARISON SCHEDULE

For the Year Ended June 30, 2023

GENERAL FUND

	Budget		Actual Amount	Variance with
	Original	Final	GAAP Basis	Final Budget
				Positive
				(Negative)
Budgetary fund balance, June 30, 2022	\$ 32,884	\$ 32,884	\$ 32,884	\$ -
Resources (inflows):				
Property taxes	245,000	245,000	283,972	38,972
Interest	2,700	2,700	2,122	(578)
Transfers in	-	-	51,420	51,420
Charges for services	16,070	16,070	40,573	24,503
	<u>\$ 263,770</u>	<u>\$ 263,770</u>	<u>\$ 378,087</u>	<u>\$ 114,317</u>
Charges to appropriations (outflows):				
Salaries and benefits	126,171	126,171	133,701	(7,530)
Services and supplies	137,253	137,253	135,927	1,326
Utilities	11,570	11,570	11,296	274
Professional services	10,000	10,000	12,928	(2,928)
	<u>\$ 284,994</u>	<u>\$ 284,994</u>	<u>\$ 293,852</u>	<u>\$ (8,858)</u>
Total charges to appropriations				
Prior Period Adjustment			(5,816)	
Budgetary fund balance, June 30, 2023	<u>\$ 11,660</u>	<u>\$ 11,660</u>	<u>\$ 111,303</u>	<u>\$ 219,776</u>

See the accompanying note to the required supplementary information

Twentynine Palms Public Cemetery District

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2023

NOTE 1 – PURPOSE OF SCHEDULE

Budgetary Basis of Accounting

The District prepares a final budget on or before June 30 of the preceding fiscal year. Budgets are adopted on a basis that is substantially in accordance with generally accepted accounting principles.

After the budget is approved, the appropriations can be added to, subtracted from or changed only by Board resolution. All such changes must be within the revenues and reserves estimated as available in the final budget or within revised revenue estimates as approved by the Board. Appropriations lapse at the end of the fiscal year. Encumbrance accounting is not utilized.

OTHER INDEPENDENT AUDITORS' REPORT

**INDEPENDENT AUDITORS' 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***

The Board of Directors
Twentynine Palms Cemetery District
Twentynine Palms, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the State Controller's Minimum Audit Requirements for California Special Districts, the financial statements of the business-type activities of Twentynine Palms Cemetery District (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 16, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

The Board of Directors
Twentynine Palms Cemetery District

Compliance and Other Matters

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

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Messner & Hadley, LLP.

Messner & Hadley, LLP
Certified Public Accountants

Apple Valley, California
November 16, 2023