POMERADO CEMETERY DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2016

POMERADO CEMETERY DISTRICT

OF SAN DIEGO COUNTY

POWAY, CALIFORNIA

JUNE 30, 2016

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Emma L. Johnston	President	January 2018
Robert L. Thomas	Vice President	January 2020
Denise L. Polito	Clerk	January 2018

ADMINISTRATION

Linda Robison	General Manager

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POMERADO CEMETERY DISTRICT

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RT DENNIS ACCOUNTANCY

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Pomerado Cemetery District
Poway, California

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, and each fund of Pomerado Cemetery District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Pomerado Cemetery District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

12223 Highland Avenue, Suite #106-625 • Rancho Cucamonga, CA 91739 • 909.689.8219
www.dennis-cpa.com

RT DENNIS
ACCOUNTANCY

Opinion

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities and each fund of Pomerado Cemetery District, as of June 30, 2016, 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.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis, budgetary comparison information, and pension information on pages 5–14 and 45 and 46, respectively be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

R J Dennis Accountancy

October 24, 2016

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MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

Our discussion and analysis of Pomerado Cemetery District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2016. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- Total net position was $5.2 million at June 30, 2016. This was an increase of $335 thousand over the prior year.
- Overall revenues were $1.1 million which was exceeded by expenses of $776 thousand.
- The general fund reported an increase of $161 thousand in fund balance this year.
- The resources available for appropriation was about the same this year as compared from last year. There was no significant change in operation.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts—management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

Figure A-1
Required Components of Pomerado Cemetery District's Annual Financial Report

The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's *overall* financial status.
The remaining statements are *fund financial statements* that focus on *individual parts* of the District government, reporting the District's operations in *more detail* than the government-wide statements.

- The *governmental funds* statements tell how *basic* services like burial services were financed in the *short term* as well as what remains for future spending.
- *Fiduciary fund* statements provide information about the financial relationships—like the pre-need fund—in which the District acts solely as a *trustee* for the benefit of others, to whom the resources in question belong.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

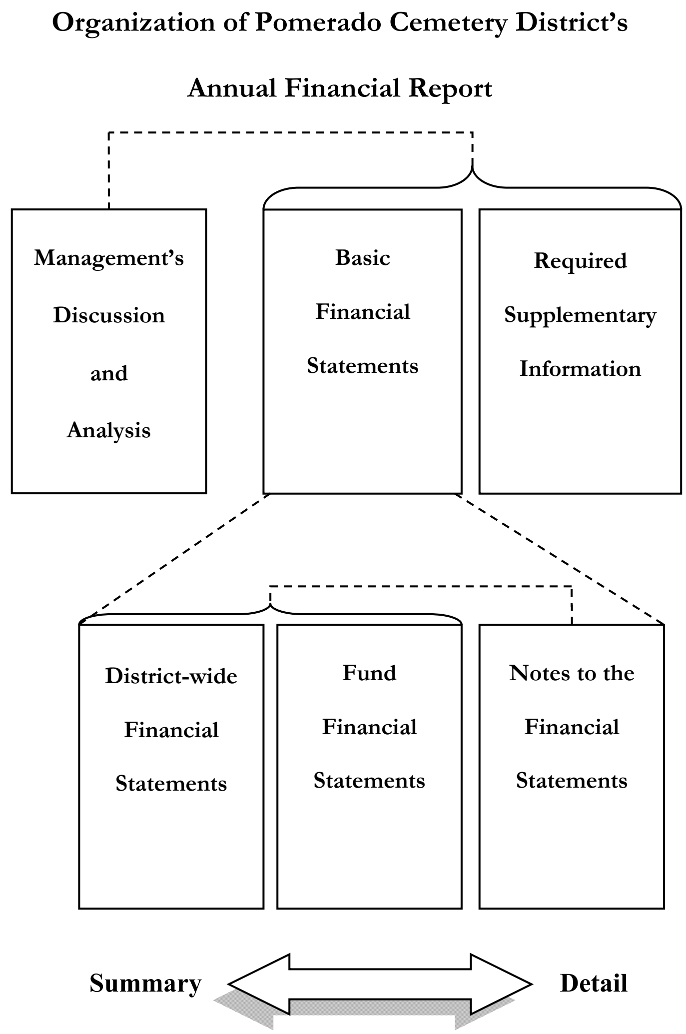


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

District-wide Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes *all* of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The district-wide statements report the District's *net position* and how they have changed. Net position—the difference between the District's assets and deferred outflows from liabilities and deferred inflows—are one way to measure the District's financial health or *position.*

Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.

- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of buildings and other facilities. *Governmental activities*—Most of the District's basic services are included here, such as regular cemetery operations. Property taxes and charges for services finance most of these activities.

Figure A-2
Major Features of Pomerado Cemetery District's District-wide and Fund Financial Statements

		Fund Financial Statements	
	District-wide Statements	**Governmental Funds**	**Fiduciary Funds**
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as salaries and supplies.	Instances in which the District is the trustee or agent for someone else's resources, such as the pre-need activities
Required financial statements	➢ Statement of net position ➢ Statement of activities	➢ Balance sheet ➢ Statement of revenues, expenditures, and changes in fund balances	➢ Statement of net position ➢ Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; the District's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant *funds*—not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law (Endowment Fund), others are to account for financial resources to be used for the acquisition or construction of major capital facilities.

The District has Governmental funds. Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position
The District's net position increased by about $334 thousand. (See Table 1.)

Table 1

(amounts in thousands)	2016	2015	$ Change	% Change
ASSETS				
Current assets	$ 3,191	$ 2,930	$ 261	8.9%
Noncurrent assets, net	2,638	2,479	159	6.4%
Total Assets	5,829	5,409	420	7.8%
DEFERRED OUTFLOWS OF RESOURCES	226	78	148	189.7%
LIABILITIES				
Current liabilities	123	27	96	355.6%
Non-current liabilities	486	527	(41)	-7.8%
Total Liabilities	609	554	55	9.9%
DEFERRED INFLOW OF RESOURCES	249	71	178	250.7%
NET POSITION				
Net investment in capital assets	1,079	1,078	1	0.1%
Restricted	1,091	991	100	10.1%
Unrestricted	3,027	2,793	234	8.4%
Total Net Position	$ 5,197	$ 4,862	$ 335	6.9%

The net position of the District's net position increased almost seven percent to $5.2 million. However, some of the components either are restricted as to the purposes they can be used for or are invested in capital assets (buildings, equipment, and so on). Consequently, the *unrestricted* component of net position showed a $3 million surplus at the end of this year.

In addition, the surplus in unrestricted governmental net position was unfavorably affected by two particular features of the District's recent financial activity:

- Reduction of PERS liability.

Changes in Net Position

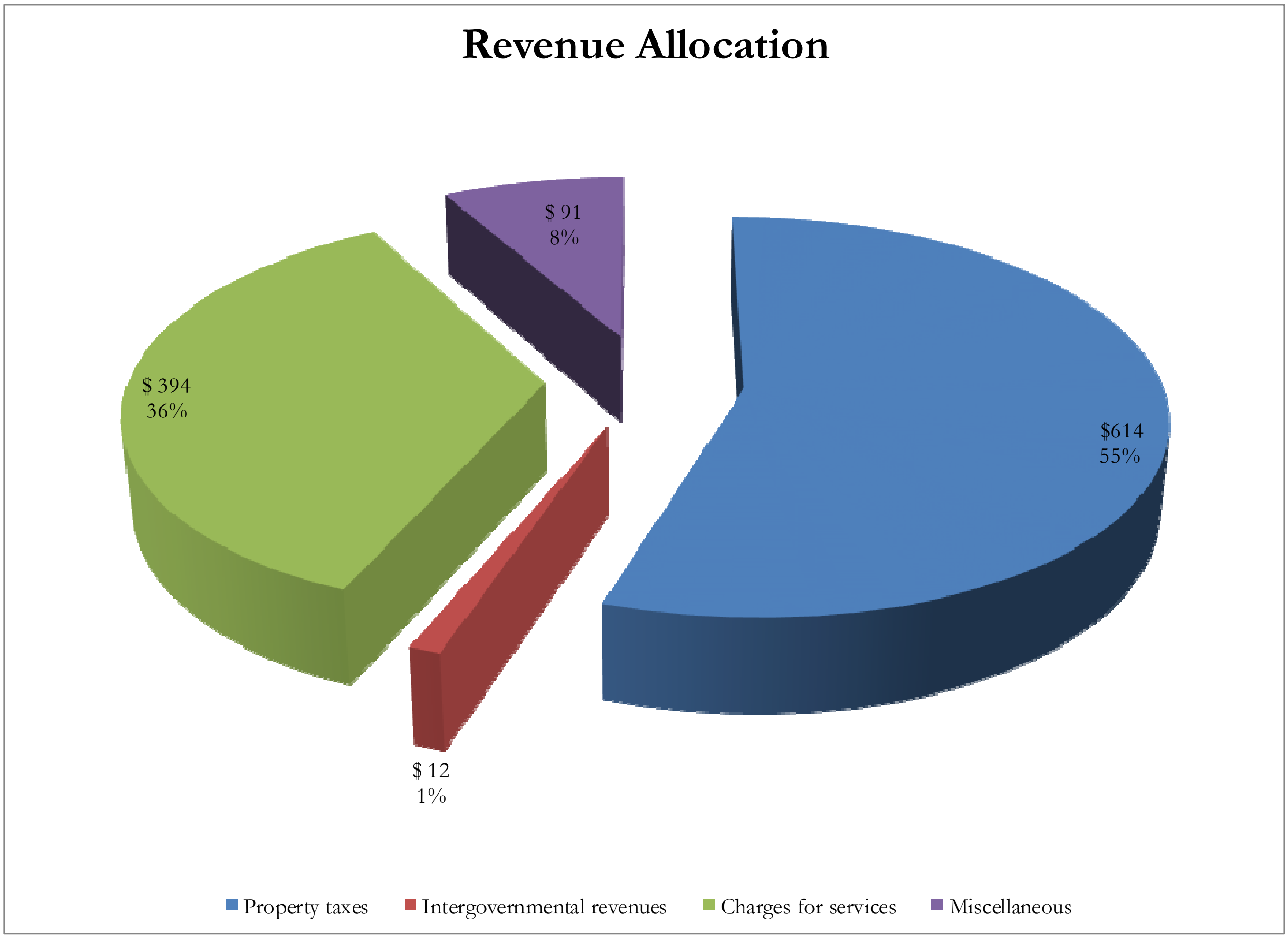
The District's total revenues increased by about eleven percent to $1.1 million. (See Table 2.) The property taxes and sales increased. Sales increased primarily from a thirty percent increase in burials.

Table 2

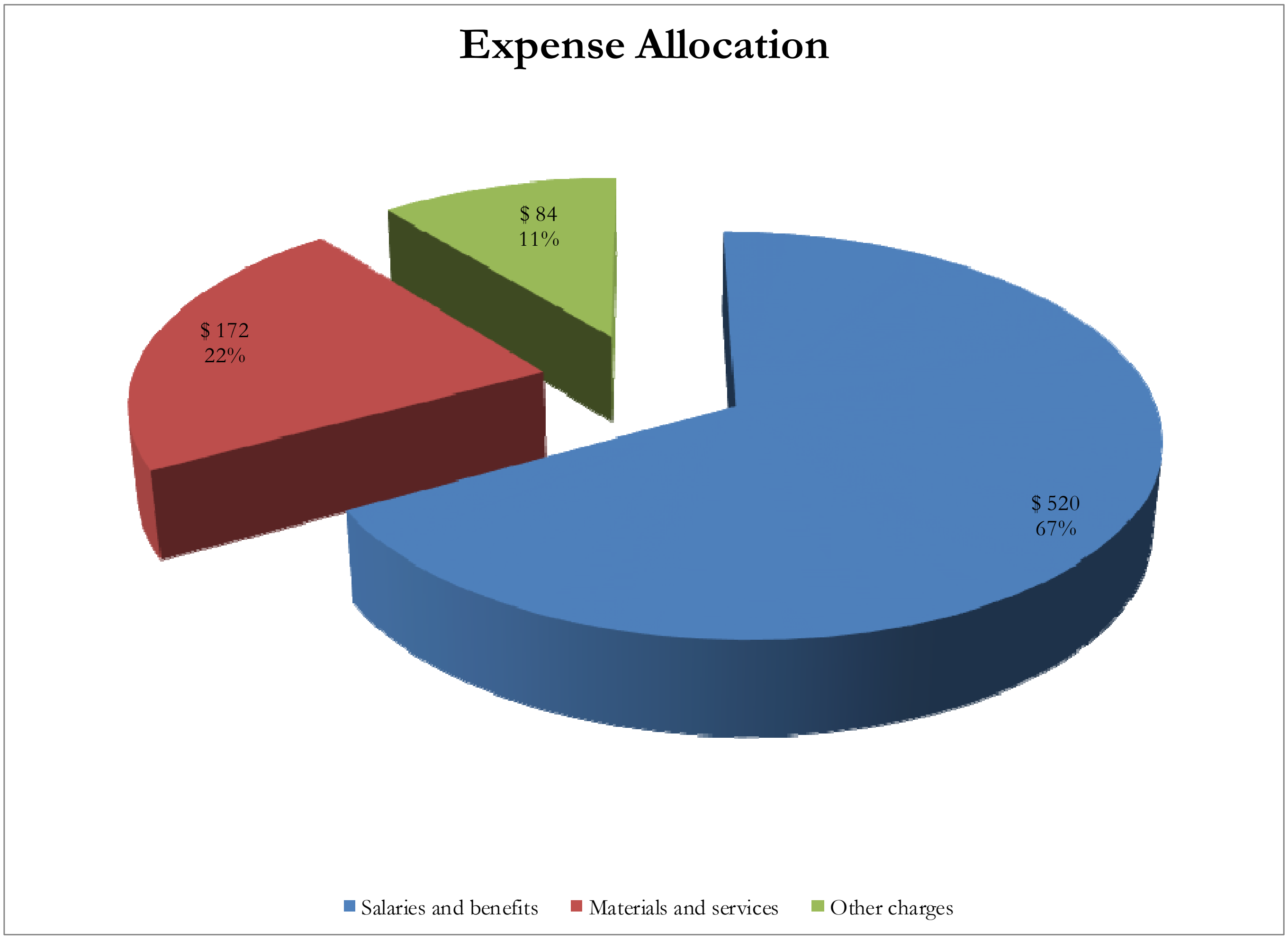
(amounts in thousands)	**2016**	**2015**	**$ Change**	**% Change**
REVENUES				
Property taxes	$ 614	$ 580	$ 34	5.9%
Intergovernmental revenues	12	10	2	20.0%
Charges for services	394	357	37	10.4%
Miscellaneous	91	51	40	78.4%
Total Revenues	1,111	998	113	11.3%
EXPENSES				
Salaries and benefits	520	441	79	17.9%
Materials and services	172	203	(31)	-15.3%
Other charges	84	864	(780)	-90.3%
Total Expenses	776	1,508	(732)	-87.6%
Excess/(Deficit)	$ 335	$ (510)	$ 845	-165.7%

Expenses this year are down as the primarily difference was from moving pre-need balances to the Pre-Need Fund ($659 thousand) in the prior year.

Over half of the District's revenue comes from property taxes, and most the rest comes from sales of service. (See Revenue Allocation.).



Most expenses are salary and benefit related. Materials and supplies make up about 23 percent which includes things like maintenance, office expenses, and utilities. Depreciation and interest are part of other charges.



FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Fund Financial Statement

As the District completed the year, its funds reported a *combined* fund balance of $4.6 million, over $400,000 higher than last year.

General Fund Budgetary Highlights

The 2015-16 budget had the following highlights:

- Two percent cost of living increase to Operations and three percent for Employee wages.
- Endowment Fee from $815 to $830.
- Non-Resident Fee from $1,170 to $1,195.
- Currently is 45% of the grave price.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2016, there were some additions as well as deletions of obsolete assets

Table 3

(amounts in thousands)	2016	2015	$ Change	% Change
Land	$ 123	$ 123	$ -	0.0%
Buildings, improvements, and equipment	2,368	2,291	77	3.4%
Accumulated depreciation	(1,412)	(1,336)	(76)	5.7%
Total Capital Assets	$ 1,079	$ 1,078	$ 1	0.1%

This year's major capital asset additions included (dollars in thousands):

- $69 thousand for refurbishing the perimeter fence.

The District's next fiscal year capital budget projects spending $40 thousand to road repair and seal.

Long-Term Liabilities

At year-end the District had $19 thousand in compensated absences and $467 in net pension liability—as shown in Table 4. More detailed information about the District's long-term liabilities is presented in Note 8 to the financial statements.

Table 4

(amounts in thousands)	2016	2015	$ Change	% Change
Compensated absences	$ 20	$ 17	$ 3	17.6%
Cal PERS net pension liability	467	510	(43)	-8.4%
Total Long-term Liabilities	$ 487	$ 527	$ (40)	-7.6%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

At the time these financial statements were prepared and audited, the District was aware of several circumstances that could affect its future financial health.

- Property Tax – The property tax includes all current and prior secured and unsecured property taxes. The property tax revenue is projected to be $634,000.
- Services and Lot Sales projected $348,000.
- Annual Burials totaled 132% increase over previous year
- The remaining revenue is interest earned from the County of San Diego for the General Fund and the Capital Outlay Fund projected at $1,700. Estimated interest and dividends on investments with Wells Fargo Advisors for the Endowment Principal Fund and Endowment Income Fund is $70,000.
- Salaries and Benefits – Scale increases are factored into the budget for employee wages, as not all employees have reached the top pay step. Allocations for overtime, annual leave payouts, vacation and sick accruals are also considered. Benefits include retirement with CalPERS, employee medical with CalPERS Health, vision, dental and life insurance coverage. Social security and worker's compensation insurance are also factors.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, taxpayers, parents, participants, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for money it receives. If you have any questions about this report, or need additional financial information, contact the general manager at 14361 Tierra Bonita Road, Poway, CA 92064.

BASIC FINANCIAL STATEMENTS

POMERADO CEMETERY DISTRICT

GOVERNMENTAL FUNDS BALANCE SHEET AND STATEMENT OF NET POSITION
JUNE 30, 2016

	General Fund	Capital Outlay Fund	Endowment Care Fund
ASSETS			
Cash and cash equivalents	$ 2,369,864	$ 354,020	$ 462,399
Accrued receivables	4,018	505	-
Investments	-	-	1,559,542
Nondepreciable capital assets	-	-	-
Depreciable capital assets, net	-	-	-
Total Assets	2,373,882	354,525	2,021,941
DEFERRED OUTFLOWS OF RESOURCES	-	-	-
Total Assets and Deferred Outflows of Resources	$ 2,373,882	$ 354,525	$ 2,021,941
LIABILITIES			
Accrued liabilities	$ 122,743	$ -	$ -
Long-term liabilities	-	-	-
Total Liabilities	122,743	-	-
DEFERRED INFLOWS OF RESOURCES	-	-	-
FUND BALANCES / NET POSITION			
Fund balance			
Non-spendable	200	-	1,090,859
Spendable			
Assigned	-	354,525	931,082
Unassigned	2,250,939	-	-
Net position			
Net investment in capital assets	-	-	-
Restricted	-	-	-
Unrestricted	-	-	-
Total Fund Balances / Net Position	2,251,139	354,525	2,021,941
Total Liabilities, Deferred Inflows of Resources, and Fund Balance / Net Position	$ 2,373,882	$ 354,525	$ 2,021,941

The accompanying notes are an integral part of these financial statements

Total Governmental Funds	Adjustments (Note 2 A.)	Statement of Net Position
$ 3,186,283	$ -	$ 3,186,283
4,523	-	4,523
1,559,542	-	1,559,542
-	123,433	123,433
-	955,394	955,394
4,750,348	1,078,827	5,829,175
-	226,202	226,202
$ 4,750,348	$ 1,305,029	$ 6,055,377
$ 122,743	$ -	$ 122,743
-	486,713	486,713
122,743	486,713	609,456
-	249,026	249,026
1,091,059	(1,091,059)	-
1,285,607	(1,285,607)	-
2,250,939	(2,250,939)	-
-	1,078,827	1,078,827
-	1,090,859	1,090,859
-	3,027,209	3,027,209
4,627,605	569,290	5,196,895
$ 4,750,348	$ 1,305,029	$ 6,055,377

POMERADO CEMETERY DISTRICT

GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES & STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	Capital Outlay Fund	Endowment Care Fund
REVENUES			
Property taxes	$ 614,089	$ -	$ -
Intergovernmental revenues	12,183	-	-
Charges for services	310,617	13,479	69,782
Revenue from use of money	8,857	1,681	78,282
Miscellaneous	2,155	-	-
Total Revenues	947,901	15,160	148,064
EXPENDITURES / EXPENSES			
Current			
Salaries	297,408	-	-
Benefits	232,664	-	-
Materials and supplies	72,010	-	-
Services	100,009	-	-
Other outgo	7,464	-	-
Depreciation	-	-	-
Capital outlay	76,855	-	-
Total Expenditures / Expenses	786,410	-	-
NET CHANGE IN FUND BALANCE / NET POSITION	161,491	15,160	148,064
Fund Balance / Net Position - Beginning	2,089,648	339,365	1,873,877
Fund Balance / Net Position - Ending	$ 2,251,139	$ 354,525	$ 2,021,941

The accompanying notes are an integral part of these financial statements

Total Governmental Funds	Adjustments (Note 2 B.)	Statement of Activities
$ 614,089	$ -	$ 614,089
12,183	-	12,183
393,878	-	393,878
88,820	-	88,820
2,155	-	2,155
1,111,125	-	1,111,125
297,408	3,182	300,590
232,664	(13,155)	219,509
72,010	-	72,010
100,009	-	100,009
7,464	-	7,464
-	76,477	76,477
76,855	(76,855)	-
786,410	(10,351)	776,059
324,715	10,351	335,066
4,302,890	558,939	4,861,829
$ 4,627,605	$ 569,290	$ 5,196,895

POMERADO CEMETERY DISTRICT

FIDUCIARY FUND STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

STATEMENT OF NET POSITION:

		Pre-Need Fund
ASSETS		
Cash and cash equivalents	$	274,534
Accrued receivables		103,867
Investments		579,256
TOTAL ASSETS	$	957,657
NET POSITION		
Restricted	$	567,784
Unrestricted		389,873
TOTAL NET POSITION	$	957,657

STATEMENT OF CHANGES IN NET POSITION:

		Pre-Need Fund
ADDITIONS		
Sales	$	257,766
Investment earnings		18,533
Total Additions		276,299
DELETIONS		
Services		121,345
CHANGE IN NET POSITION		154,954
Net Position - Beginning		802,703
Net Position - Ending	$	957,657

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1 - A. Financial Reporting Entity

The Pomerado Cemetery District ("the District") is a public cemetery district operating under the provisions of the Health and Safety Code of the State of California. The District was formed in 1950, The District is governed by a Board of Trustees (Board) that acts as the authoritative body of the entity. The Board is comprised of three members appointed by the San Diego County Board of Supervisors. Each member serves a term of four years; there are no term limits for reappointment. Board members may receive up to $100 per meeting compensation for attending monthly and any special meetings, up to a maximum of four meetings per month.

The Board of Trustees annually elects officers from existing Board members. A Chair (person), Vice Chair (person), and Secretary are elected. Each officer serves a term of one year; there are no term limits for reappointment. The Chair responsibilities are to preside at all meetings of the Board and perform all duties commonly incident to the position of presiding officer of a board, commission or business organization.

1 - B. Other Related Entities

Joint Powers Authority (JPA). The District is associated with one JPA. This organizations does not meet the criteria for inclusion as a component unit of the District. Additional information is presented in Note 10 to the financial statements. The organization is Special District Risk Management Authority ("SDRMA").

1 - C. Basis of Presentation

Combined Presentation. The District is a special-purpose governments engaged in a single governmental program (cemetery district). The accounting standards allow these kinds of governments to employ alternative forms of presentation that involve combining the government-wide and fund financial statements using a columnar format that reconciles the two kinds of financial data in a separate column on each statement.

Government-Wide Statements. The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the overall government. The government-wide statements provide information about the primary government (the District). Eliminations have been made to minimize the double counting of internal activities.

Fund Financial Statements. The fund financial statements provide an 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 salaries and related benefits, construction and maintenance of facilities, and repayment of long-term debt.

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

Major Governmental Funds

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.

Capital Outlay Fund. Capital project funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities.

Endowment Care (Permanent) Fund. The Endowment Fund is used to account for resources received from endowment fees collected pursuant to Health and Safety Code Section 9065 that are restricted to the extent that earnings, but not principal, may be used for purposes that support the upkeep of the District's grounds.

Fiduciary Fund

Pre-Need Fund. This fund exists to account separately for amounts held in trust from pre-need activity. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the District's own programs.

1 - D. Basis of Accounting

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

Net Position should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities result from permanent fund and the restrictions on their net asset use.

Governmental Funds. Governmental fund financial statements 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 one year after year-end. All other revenue items are considered to be measurable and available only when the District receives cash. Property taxes are recorded the same as what is described for Government-Wide Statements. Expenditures generally are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, early retirement and postemployment healthcare benefits and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Revenues – Exchange and Non-Exchange Transactions. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 60 days of fiscal year-end.

Property taxes are government mandated non-exchange transactions and are recognized when all eligibility requirements have been met. Secured property taxes are levied on or before the first business day of September of each year, and become a lien on real property on January 1 proceeding the fiscal year for which taxes are levied. These tax payments can be made in two equal installments; the first is due on November 1 and delinquent with penalties after December 10; the second is due on February 1 and delinquent with penalties after April 10. The County of San Diego bills and collects the taxes on behalf of the District. The District recognizes property tax revenues actually received as reported by the San Diego County Auditor-Controller.

Expenses/Expenditures. On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

1 - E. Assets, Liabilities, and Net Position

Deposits and Investments
The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Some short-term cash surpluses are maintained in the county cash and investments pool, the earnings from which are allocated to each fund based on month-end deposit and investment balances.

Investments are reported at fair value, based on quoted market prices, except for money market investments, which are reported at amortized cost.

Capital Assets
Capital assets, which include land, structures and improvements, and furniture and equipment, are reported in the Statement of Net Assets- The District defines capital assets as assets with a cost of $5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Capital assets are depreciated using the straight-line method over the following useful lives:

Asset Class	Estimated Useful Life
Buildings and improvements	30
Furniture and equipment	5 – 30

Compensated Absences
Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the accounts payable in the fund from which the employees who have accumulated leave are paid.

Accrued Liabilities and Long-Term Obligations
All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

However, claims and judgments and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and long-term loans are recognized as liabilities in the governmental fund financial statements when due.

Pensions
For purposes of measuring the net pension liabilities, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the CA Public Employee Retirement System Pension Plan ("PERS") and additions to/deductions from the respective fiduciary net positions have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

Nonspendable - This classification 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 unassigned 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, 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.

Net Position

Net Position represent 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 related debt outstanding as of June 30, 2016. Net Position are 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 are available. The district-wide financial statements report $1,090,859 of restricted net position.

Estimates

The preparation of the 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Budgetary Data

The budgetary process is prescribed by provisions of the California Government Code and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For purposes of the budget, on-behalf payments have been included as revenue and expenditures as required under generally accepted accounting principles.

1 - F. New Accounting Pronouncements

In December 2015, the GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans.* The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions.* This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged.

In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants.* This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged.

In March 2016, the GASB issued Statement No. 82, *Pension Issues, An Amendment of GASB Statements No. 67, No. 68, and No. 73.* The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans,* No. 68, *Accounting and Financial Reporting for Pensions,* and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged.

NOTE 2 – EXPLANATION OF DIFFERENCES BETWEEN THE FUND FINANCIAL STATEMENTS AND DISTRICT-WIDE STATEMENTS

2 - A. Government Funds Balance Sheet and Statement of Net Position

Total Fund Balance - Governmental Funds			$ 4,627,605
Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:			
Capital assets:			
In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation:			
	Capital assets	2,491,466	
	Accumulated depreciation	(1,412,639)	1,078,827
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:			
	Compensated absences	19,699	
	Cal PERS pension liability	467,014	(486,713)
Deferred outflows and inflows of resources relating to pensions:			
In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.			
	Deferred outflows of resources		226,202
	Deferred inflows of resources		(249,026)
Total Net Position - Governmental Activities			$ 5,196,895

2 - B. Government Fund Operating Statements and the Statement of Activities

Net Change in Fund Balances - Governmental Funds		$	324,715
Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:			
Capital outlay:			
In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:			
Expenditures for capital outlay:	76,855		
Depreciation expense:	(76,477)		378
Compensated absences:			
In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amount earned. The difference between compensated absences paid and compensated absences earned, was:			(3,182)
Pensions:			
In government funds, pension costs are recognized when employer contributions are made. in the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was:			13,155
Change in net position of Governmental Activities		$	335,066

NOTE 3 – DEPOSITS AND INVESTMENTS

3 - A. Summary of Deposits and Investments

	Governmental Activities	Fiduciary Funds	Total
Cash on hand	$ 200	$ -	$ 200
Deposits in financial institutions	938,052	153,388	1,091,440
Cash in county	1,788,952	-	1,788,952
Various mutual funds	459,079	121,146	580,225
Total cash and cash equivalents	3,186,283	274,534	3,460,817
Investments	1,559,542	579,256	2,138,798
Total	$ 4,745,825	$ 853,790	$ 5,599,615

3 - B. Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the state; U.S. Treasury instruments; registered state warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations; the San Diego County Investment Pool.

Investment in County Treasury – The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer. The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

3 - C. General Authorizations

1. Investment of the principal of the Endowment care Fund as authorized by Public Health & Safety Code Section 9066:

   A. Securities and obligations designated by Section 53601 of the Government Code.

   B. Obligations of the United States or obligations for which the faith and credit of the United States are pledged for payment of principal and interest. These are not to be limited to maturity dates of one year or less.

C. Obligations issued under authority of law by any county, municipality, or school district in this state for which are pledged the faith and credit either of the county, municipality, or school district for the payment of principal and interest, if within 10 years immediately preceding the investment such county, municipality or school district was not in default for more than 90 days in the payment of principal or interest upon any legal obligation issued by it.

D. Obligations of the state of California or for which the faith and credit of the state of California are pledge for the payment of principal and interest.

E. Interest-bearing obligations issued by a corporation organized under the laws of any state, or of the United States provided that they bear a Standard and Poor's financial rating of AAA at the time of the investment.

F. Certificates of deposit or other interest-bearing accounts in any state or federally chartered bank or savings association, the deposits of which are insured by the Federal Deposit Insurance Corporation.

2. Investment of the principal of the Endowment Care Fund and surplus money (Capital Outlay Funds, Endowment Care Interest & Preneed Funds) as authorized by the California Code § 53601 (Except as otherwise expressly provided herein as part of the authorized Investment Program relating to Collateralized Mortgage Obligations (CMO), the maximum maturity allowed by California Government Code, Section 53601 is 5 years with shorter limitations specified for specific types of securities):

A. Bonds issued by the local agency, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency or by a department, board, agency, or authority of the local agency.

B. United States Treasury notes, bonds, bills or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.

C. Registered state warrants or treasury. notes or bonds of this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the state or by a department, board, agency, or authority of the state.

D. Registered treasury notes or bonds of any of the other 49 states in addition to California, including bonds pay-able solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 states, in addition to California.

E. Bonds, notes, warrants, or other evidences of indebtedness of a local agency within this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency.

F. Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.

G. Bankers' acceptances otherwise known as bills of exchange or time drafts that are drawn on and accepted by a commercial bank. Purchases of bankers' acceptances shall not exceed 180 days' maturity or 40 percent of the agency's moneys that may be invested pursuant to this section. However, no more than 30 percent of the agency's moneys may be invested in the bankers' acceptances of any one commercial bank pursuant to this section.

H. Commercial paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a nationally recognized statistical rating organization (NRSRO). The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (1) or (2):
   (1) The entity meets the following criteria:
      (a) Is organized and operating in the United States as a general, corporation.
      (b) Has total assets in excess of five hundred million dollars ($500,000,000).
      (c) Has debt other than commercial paper, if any, that is rated "A" or higher by an NRSRO.
   (2) The entity meets the following criteria:
      (a) Is organized within the United States as a special purpose corporation, trust, or limited liability company.
      (b) Has program wide credit enhancements including, but not limited to, overcollateralization, letters of credit, or a surety bond.
      (c) Has commercial paper that is rated "A-1" or higher, or the equivalent, by an NRSRO.

   Eligible commercial paper shall have a maximum maturity of 270 days or less. Local agencies, other than counties or a city and county, may invest no more than 25 percent of their moneys in eligible commercial paper. Local agencies, other than counties or a city and county, may purchase no more than 10 percent of the outstanding commercial paper of any single issuer. Counties or a city and county may invest in commercial paper pursuant to the concentration limits in subdivision (a) of Section 53635.

I. Negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings association or a federal association (as defined by Section 5102 of the Financial Code), a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank. Purchases of negotiable certificates of deposit shall not exceed 30 percent of the agency's moneys that may be invested pursuant to this section. For purposes of this section, negotiable certificates of deposit do not come within Article 2 (commencing with Section 53630), except that the amount so invested shall be subject to the limitations of Section 53638. The legislative body of a local agency and the treasurer or other official of the local agency having legal custody of the moneys are prohibited from investing local agency funds, or funds in the custody of the local agency, in negotiable certificates of deposit issued by a state or federal credit union if a member of the legislative body of the local agency, or a person with investment decision making authority in the administrative office manager's office, budget office, auditor-controller's office, or treasurer's office of the local agency also serves on the board of directors, or any committee appointed by the board of directors, or the credit committee or the supervisory committee of the state or federal credit union issuing the negotiable certificates of deposit.

J. Investments in repurchase agreements.
   (1) Investments in repurchase agreements or reverse repurchase agreements or securities lending agreements of securities authorized by this section, as long as the agreements are subject to this subdivision, including the delivery requirements specified in this section.
   (2) Investments in repurchase agreements may be made, on an investment authorized in this section, when the term of the agreement does not exceed one year. The market value of securities that underlie a repurchase agreement shall be valued at 102 percent or greater of the funds borrowed against those securities and the value shall be adjusted no less than quarterly. Since the market value of the underlying securities is subject to daily market fluctuations, the investments in repurchase agreements shall be in compliance if the value of the underlying securities is brought back up to 102 percent no later than the next business day.
   (3) Reverse repurchase agreements or securities lending, agreements may be utilized only when all of the following conditions are met:
      (a) The security to be sold using a reverse repurchase agreement or securities lending agreement has been owned and fully paid for by the local agency for a minimum of 30 days prior to sale.

(b) The total of all reverse repurchase agreements and securities lending agreements on investments owned by the local agency does not exceed 20 percent of the base value of the portfolio.

(c) The agreement does not exceed a term of 92 days, unless the agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement or securities lending agreement and the final maturity date of the same security.

(d) Funds obtained or funds within the pool of an equivalent amount to that obtained from selling a security to a counter party using a reverse repurchase agreement or securities lending agreement shall not be used to purchase another security with a maturity longer than 92 days from the initial settlement date of the reverse repurchase agreement or securities lending agreement, unless the reverse repurchase agreement or securities lending agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement or securities lending agreement and the final maturity date of the same security.

(4) Investments in reverse repurchase agreements, securities lending agreements, or similar investments in which the local agency sells securities prior to purchase with a simultaneous agreement to repurchase the security may be made only upon prior approval of the governing body of the local agency and shall be made only with primary dealers of the Federal Reserve Bank of New York or with a nationally or state-chartered bank that has or has had a significant banking relationship with a local agency.

(a) For purposes of this chapter, "significant banking relationship" means any of the following activities of a bank:

1. Involvement in the creation, sale, purchase, or retirement of a local agency's bonds, warrants, notes, or other evidence of indebtedness.
2. Financing of a local agency's activities.
3. Acceptance of a local agency's securities or funds as deposits.

(5) "Repurchase agreement" means a purchase of securities by the local agency pursuant to an agreement by which the counter party seller will repurchase the securities on or before a specified date and for a specified amount and the counter party will deliver the underlying securities to the local agency by book entry, physical delivery, or by third party custodial agreement. The transfer of underlying securities to the counter party bank's customer book-entry account may be used for book entry delivery.

(a) "Securities," for purposes of repurchase under this subdivision, means securities of the same issuer, description, issue date, and maturity.

(b) "Reverse repurchase agreement" means a sale of securities by the local agency pursuant to an agreement by which the local agency will repurchase the securities on or before a specified date and includes other comparable agreements.

(c) "Securities lending agreement" means an agreement under which a local agency agrees to transfer securities to a borrower who, in turn, agrees to provide collateral to the local agency. During the term of the agreement, both the securities and the collateral are held by a third party. At the conclusion of the agreement, the securities are transferred back to the local agency in return for the collateral.

(d) For purposes of this section, the base value of the local agency's pool portfolio shall be that dollar amount obtained by totaling all cash balances placed in the pool by all pool participants, excluding any amounts obtained through selling securities by way of reverse. Repurchase agreements, securities lending agreements, or other similar borrowing methods.

(e) For purposes of this section, the spread is the difference between the cost of funds obtained using the re-verse repurchase agreement and the earnings obtained on the reinvestment of the funds.

K. Medium-term notes, defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Notes eligible for investment under this subdivision shall be rated "A" or better by an NRSRO. Purchases of medium-term notes shall not include other instruments authorized by this section and may not exceed 30 percent of the agency's moneys that may be invested pursuant to this section.

L. Shares of beneficial interest.
   (1) Shares of beneficial interest issued by diversified management companies that invest in the securities and obligations as authorized by subdivisions (a) to (k), inclusive, and subdivisions (m) to (o), inclusive, and that comply with the investment restrictions of this article and Article 2 (commencing with Section 53630). However, notwithstanding these restrictions, a counter party to a reverse repurchase agreement or securities lending agreement is not required to be a primary dealer of the Federal Reserve Bank of New York if the company's board of directors finds that the counter party presents a minimal risk of default, and the value of the securities underlying a repurchase agreement or securities lending agreement may be 100 percent of the sales price if the securities are marked to market daily.
   (2) Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. BOa-1 et seq.).
   (3) If investment is in shares issued pursuant to paragraph (1), the company shall have met either of the following criteria:
      (a) Attained the highest ranking or the highest letter and numerical rating provided by not less than two NRSROs.
      (b) Retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience investing in the securities and obligations authorized by subdivisions (a) to (k), inclusive, and subdivisions (m) to (o), inclusive, and with assets under management in excess of five hundred million dollars ($500,000,000).
   (4) If investment is in shares issued pursuant to paragraph (2), the company shall have met either of the following criteria:
      (a) Attained the highest ranking or the highest letter and numerical rating provided by not less than two NRSROs.
      (b) Retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience managing money market mutual funds with assets under management in excess of five hundred million dollars ($500,000,000).
   (5) The purchase price of shares of beneficial interest purchased pursuant to this subdivision shall not include commission that the companies may charge and shall not exceed 20 percent of the agency's moneys that may be invested pursuant to this section. However, no more than 10 percent of the agency's funds may be invested in shares of beneficial interest of any one mutual fund pursuant to paragraph (1).

M. Moneys held by a trustee or fiscal agent and pledged to the payment or security of bonds or other indebted-ness, or obligations under a lease, installment sale, or other agreement of a local agency, or certificates of participation in those bonds, indebtedness, or lease installment sale, or other agreements, may be invested in accordance with the statutory provisions governing the issuance of those bonds, indebtedness, or lease installment sale, or other agreement, or to the extent not inconsistent therewith or if there are no specific statutory provisions, in accordance with the ordinance, resolution, indenture, or agreement of the local agency providing for the issuance.

N. Notes, bonds, or other obligations that are at all times secured by a valid first priority security interest in securities of the types listed by Section 53651 as eligible securities for the purpose of securing local agency deposits having a market value at least .equal to that required by Section 53652 for the purpose of securing local agency deposits. The securities serving as collateral shall be placed by delivery or book entry into the custody of a trust company or the trust department of a bank that is not affiliated with the issuer of the secured obligation, and the security interest shall be perfected in accordance with the requirements of the Uniform Commercial Code or federal regulations applicable to the types of securities in which the security interest is granted.

O. A mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate, or. Consumer receivable-backed bond of a maximum of five years' maturity. Securities eligible for investment under this subdivision shall be issued by an issuer having an "A" or higher rating for the issuer's debt as provided by an NRSRO and rated in a rating category of "AA" or its equivalent or better by an NRSRO. Purchase of securities authorized by this subdivision may not exceed 20 percent of the agency's surplus moneys that may be invested pursuant to this section. Pursuant to the authorized Investment Program of the Board of Directors, the maximum maturity for CMOs is 30 years.

P. Shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7 that in-vests in the securities and_ obligations authorized in subdivisions (a) to (o), inclusive. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. To be eligible under this section, the joint powers authority issuing the shares shall have retained an investment adviser that meets all of the following criteria:
   (1) The adviser is registered or exempt from registration with the Securities and Exchange Commission.
   (2) The adviser has not less than five years of experience investing in the securities and obligations authorized in subdivisions (a) to (o), inclusive.
   (3) The adviser has assets under management in excess of five hundred million dollars ($500,000,000).

3 - D. 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. The District manages its exposure to interest rate risk by investing in the county pool. See "Specific Identification" for various maturities of the District's investments.

3 - E. 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 underlying investments owned by the district are listed in "Specific Identification."

3 - F. Specific Identification

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investments by maturity:

Investment Type:	Fitch	Moody's	Maturity (Months)	Percentage Makeup	Fair Market Value
Various mutual funds		NA	n/a	21%	$ 580,225
Corporate Notes [1]	A- to A	Baa1 - Aaa	1 - 43	25%	678,371
Foreign Notes [2]		A1		2%	50,185
Government Notes/Bonds		Aaa	16 - 194	22%	605,617
Collateralized Mortgage Obligations ("CMOs") [3]		Not Rated	316	1%	15,947
Certificates of Deposits ("CDs")		FDIC	2 - 56	29%	788,679
Total Investments not including mutual funds				77%	2,138,799
Total				100%	2,719,024

[1] – Certain securities below minimum rating requirement, as per part 2. K. of the investment General Authorization

[2] – Security issued by a corporation not organized and operating within the United States, as is required in par 2. K. of the investment General Authorization.

[3] – Securities not rated, as is required in part 2. O. of the investment General Authorization.

3 - G. Custodial Credit Risk – Deposits

This 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. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2016, the District's bank balance of $264,032 was insured, but $864,864 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

NOTE 4 – ACCRUED RECEIVABLES

Receivables at June 30, 2016, are listed below. All receivables are considered collectible in full.

	General Fund	Capital Outlay Fund	Total Governmental Activities	Pre-Need Fund
Property taxes	$ 1,988	$ -	$ 1,988	$ -
Cash in county interest	2,030	505	2,535	-
Pre-need collections held by the General Fund	-	-	-	103,867
Total	$ 4,018	$ 505	$ 4,523	$ 103,867

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	Balance July 01, 2015	Additions	Balance June 30, 2016
Capital assets not being depreciated			
Land	$ 123,433	$ -	$ 123,433
Capital assets being depreciated			
Buildings & improvements	$ 1,971,616	$ 69,715	$ 2,041,331
Furniture & equipment	319,562	7,140	326,702
Total Capital Assets Being Depreciated	2,291,178	76,855	2,368,033
Less Accumulated Depreciation			
Buildings & improvements	1,100,270	71,932	1,172,202
Furniture & equipment	235,892	4,545	240,437
Total Accumulated Depreciation	1,336,162	76,477	1,412,639
Depreciable Capital Assets, net	$ 955,016	$ 378	$ 955,394
Total Capital Assets, net	$ 1,078,449	$ 378	$ 1,078,827

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2016, consisted of the following:

		General Fund
Payroll related	$	4,596
Vendors payable		3,637
Other liabilities		978
Compensated absences		9,850
Pre-need collections held by the General Fund		103,682
Total	$	122,743

NOTE 7 – LONG-TERM DEBT

7 - A. Long-Term Debt Summary

	Balance July 01, 2015	Additions	Deductions	Balance June 30, 2016
Compensated absences	$ 16,517	$ 3,182	$ -	$ 19,699
Cal PERS net pension liability	510,301	62,292	105,579	467,014
Total	$ 526,818	$ 65,474	$ 105,579	$ 486,713

7 - B. Compensated Absences

The long-term portion of accumulated unpaid compensated absence for the District at June 30, 2016, amounted to $19,699.

7 - C. Cal PERS Pension Liability

The District follows GASB Statement Nos. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. The District's prior year contribution of $78,050 to Cal PERS, is used to calculate the current liability, which at June 30, 2016 was $467,014. See Note 9 for additional information regarding the net pension liability and pension benefit plans.

NOTE 8 – FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Capital Outlay Fund	Endowment Fund	Total Governmental Funds
Non-spendable				
Non-restricted				
Reserve for revolving cash	$ 200	$ -	$ -	$ 200
Restricted, Permanent Fund Balance	-	-	1,090,859	1,090,859
Total Nonspendable	200	-	1,090,859	1,091,059
Spendable				
Assigned				
Capital projects	-	354,525	-	354,525
Endowment earnings reinvestment	-	-	931,082	931,082
Total Assigned	-	354,525	931,082	1,285,607
Unassigned	2,250,939	-	-	2,250,939
Total	$ 2,251,139	$ 354,525	$ 2,021,941	$ 4,627,605

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District's Minimum Fund Balance Policy requires a reserve, consisting of unassigned amounts, equal to no less than two months of general fund operating expenditures, or about seventeen percent of General Fund expenditures and other financing uses.

NOTE 9 – EMPLOYEE RETIREMENT SYSTEM

9 - A. Plan Description

Employees are provided with pensions through Public Employees' Retirement Fund C ("PERF C") – a cost-sharing multiple-employer defined benefit pension plan. PERF C issues a publicly available financial report as a part of the Cal PERS CAFR, see **9 - D.IV**.

9 - B. Plan Benefits

The Service Retirement benefit is a monthly allowance equal to the product of the benefit factor, years of service, and final compensation. The benefit factor is a monthly allowance equal to the product of 2.0% at 55 for classic members and 2% at 62 for PEPRA members.

9 - C. Plan Contribution

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2015 (the measurement date), the active employee contribution rate is 6.891 percent of annual pay, and the average employer's contribution rate is 35.947 percent of annual payroll. Employer contributions rates may change if plan contracts are amended. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any Employer Paid Member Contributions or situations where members are paying a portion of the employer contribution.

9 - D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Cal PERS

At June 30, 2016, the District reported a liability of $467,014 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2015, the District's proportion was 0.017%, which was a decrease from its proportion measured as of June 30, 2014 of 0.021%. For the year ended June 30, 2016, the District recognized pension expense of $89,000. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ 118,849	$ 142,095
Changes in assumption	-	46,368
Changes in proportion	-	60,563
Differences of expected and actual experiences	4,901	-
District contributions subsequent to the measurement date	102,452	-
Total	$ 226,202	$ 249,026

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

Year ended June 30, 2017	$	133,913	$	86,394
2018		31,463		85,924
2019		31,113		76,708
2020		29,713		-
	$	226,202	$	249,026

9 - D.I Actuarial Assumptions. For the measurement period ended June 30, 2015 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2014 total pension liability. The June 30, 2014 and the June 30, 2015 total pension liabilities were based on the following actuarial methods and assumptions:

Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table [1]	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

[1] The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS' website.

Change in Assumptions

GASB 68, paragraph 68 states that the long long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50 percent used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65 percent used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

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

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

Asset Class	Current Target Allocation	Real Return Years 1 - 10[1]	Real Return Years 11+[2]
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	2.0%	(0.55%)	(1.05%)
	100%		

[1]An expected inflation of 2.5% used for this period
[2]An expected inflation of 3.0% used for this period

9 - D.II Discount Rate. The discount rate used to measure the total pension liability was 7.65%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65% is applied to all plans in the Public Employees Retirement Fund.

9 - D.III Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability/(asset) of the Plan as of the measurement date, calculated using the discount rate of 7.65 percent, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65 percent) or 1 percentage-point higher (8.65 percent) than the current rate:

	Discount Rates		
	-1% (6.65%)	**(7.65%)**	**+1% (8.65%)**
Plan's net pension liability	$ 783,214	$ 467,014	$ 205,953

9 - D.IV Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS CAFR at https://www.calpers.ca.gov/docs/forms-publications/cafr-2015.pdf

NOTE 10 – PARTICIPATION IN JOINT POWERS AUTHORITIES

The District is a member of a joint powers authority (JPA), SDRMA. SDRMA provides liability, property, and crime damage, as well as coverage for workers' compensation. The relationship is such that the JPAs are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these financial statements. Audited financial statements are available from the entity.

During the year ended June 30, 2016, the District made payments of $8,335 and $12,848, for property and liability; and workers' compensation, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

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POMERADO CEMETERY DISTRICT

GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts			Variances - Positive / (Negative)
	Original	Final	Actual	Final to Actual
REVENUES				
Property taxes	$ 569,632	$ 569,632	$ 614,089	$ 44,457
Intergovernmental revenues	-	-	12,183	12,183
Charges for services	392,629	392,629	310,617	(82,012)
Revenue from use of money	1,540	1,540	8,857	7,317
Miscellaneous	-	-	2,155	2,155
Total Revenues	963,801	963,801	947,901	(15,900)
EXPENDITURES				
Current				
Salaries	313,200	313,200	297,408	15,792
Benefits	208,800	208,800	232,664	(23,864)
Materials and supplies	140,900	140,900	72,010	68,890
Services	200,783	200,783	100,009	100,774
Other outgo	10,568	10,568	7,464	3,104
Capital outlay	-	-	76,855	(76,855)
Total Expenditures	874,250	874,250	786,410	87,840
NET CHANGE IN FUND BALANCE	89,551	89,551	161,491	71,940
Fund Balance - Beginning	2,089,648	2,089,648	2,089,648	
Fund Balance - Ending	$ 2,179,199	$ 2,179,199	$ 2,251,139	$ 71,940

POMERADO CEMETERY DISTRICT

SCHEDULE OF PENSION INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016

Cal PERS	**2016**	**2015**
District's proportion of the net pension liability (asset)	0.017%	0.021%
District's proportionate share of the net pension liability (asset)	$ 467,014	$ 510,301
District's covered-employee payroll	$ 266,230	$ 241,099
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	175%	212%
Plan fiduciary net position as a percentage of the total pension liability	68%	65%

Cal PERS	**2016**	**2015**
Contractually required contribution	101,102	78,050
Contributions in relation to the contractually required contribution	(101,102)	(78,050)
Contribution deficiency (excess)	$ -	$ -
District's covered-employee payroll	303,136	266,230
Contributions as a percentage of covered-employee payroll	33.35%	29.32%