

**ALAMO-LAFAYETTE
CEMETERY DISTRICT
AUDIT REPORT
For the Fiscal Year Ended
June 30, 2016**



ALAMO-LAFAYETTE CEMETERY DISTRICT

For the Fiscal Year Ended June 30, 2016

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Financial Section

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Alamo-Lafayette Cemetery District
Lafayette, California

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of Alamo-Lafayette Cemetery District, as of June 30, 2016, and the respective changes in financial position thereof for the fiscal 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 management's discussion and analysis on pages 3 through 5 and budgetary comparison information on page 18 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a separate report dated April 26, 2017, 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Murrieta, California
April 26, 2017

ALAMO-LAFAYETTE CEMETERY DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2016

Management's Discussion and Analysis (MD&A) offers readers of Alamo-Lafayette Cemetery District's financial statements a narrative overview of the District's financial activities for the fiscal year ended June 30, 2016. This MD&A presents financial highlights, an overview of the accompanying financial statements, an analysis of net position and results of operations, a current-to prior year analysis, a discussion on restrictions, commitments and limitations, and a discussion of significant activity involving capital assets and long-term debt. Please read in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- District's net position increased by approximately 45.1% compared to the fiscal year.
- The District had an operating gain of \$83,866.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the District's financial statements. The District's basic financial statements reflect the combined results of the Operating and Capital Programs and include three components: (1) Statement of Net Position; (2) Statements of Revenues, Expenses, and Changes in Net Position; and (3) Notes to the Financial Statements.

The financial statements accompanying this MD&A present the net position and results of operations during the fiscal year ending June 30, 2016. These financial statements have been prepared using the accrual basis of accounting, which is similar to the accounting basis used by for-profit entities. Each financial statement is identified and defined in this section, and analyzed in subsequent sections of this MD&A.

REQUIRED FINANCIAL STATEMENTS

Statement of Net Position

The Statement of Net Position presents information on the District's assets and liabilities with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. However, other factors such as changes in economic conditions, population growth, zoning, and new or changed legislation or regulations also need to be considered when establishing financial position. Assets exceed liabilities, resulting in a net position of \$269,836 as of June 30, 2016.

Statements of Revenues, Expenses, and Changes in Net Position

The Statements of Revenues, Expenses, and Changes in Net Position present information showing how the District's net position changed during the fiscal year. All of the year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the results of the District's operations for the year and can be used to determine if the District has successfully recovered all of its costs through user fees and other charges. Operating revenues and expenses are related to the District's core activities (sale of cemetery plots and burial services). Non-operating revenues and expenses are not directly related to the core activities of the District (e.g. interest income, interest expense, property taxes,). For the fiscal year ended June 30, 2016 net position increased by \$83,866.

ALAMO-LAFAYETTE CEMETERY DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2016

REQUIRED FINANCIAL STATEMENTS (continued)

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 the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by State law and by grantor requirements.

Combined Reporting

For special purpose governments engaged in a single governmental program, the fund financial statements and the government-wide statements may be combined using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column on the face of the financial statements rather than in an accompanying schedule. The District has elected to report its financial statements in this format.

FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION

Analysis of Net Position

Table A-1: Condensed Statement of Net Position

	Fiscal Year Ended 6/30/2016	Fiscal Year Ended 6/30/2015	Dollar Change	Percent Change
Assets:				
Current and Other Assets	\$ 500,810	\$ 472,951	\$ 27,859	5.9%
Capital Assets, Net of Depreciation	171,190	172,992	(1,802)	-1.0%
Total Assets	672,000	645,943	26,057	4.0%
Liabilities:				
Current Liabilities	363,526	415,031	(51,505)	-12.4%
Long-term Liabilities	38,638	44,942	(6,304)	-14.0%
Total Liabilities	402,164	459,973	(57,809)	-12.6%
Net Position:				
Net Investment in Capital Assets	132,552	128,050	4,502	3.5%
Restricted	492,661	467,652	25,009	5.3%
Unrestricted	(355,377)	(409,732)	54,355	-13.3%
Total Net Position	\$ 269,836	\$ 185,970	\$ 83,866	45.1%

Net position increased by \$83,866 from fiscal year June 30, 2015. The restricted assets increased because of an increased balance in the endowment fund. The Endowment Care Fund is restricted as it is not available for current use. Unrestricted assets increased which was due to the operating surplus in the General Fund.

ALAMO-LAFAYETTE CEMETERY DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2016

FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION (continued)

Analysis of Revenues and Expenses

While the Statement of Net Position shows the change in financial position, the Statements of Revenues, Expenses and Changes in Net Position provides answers to the nature and source of these changes. The main factors in the change in net position is increased revenue from service fees, charges, and property taxes which was surpassed by its expenses.

CAPITAL ASSETS

Net capital assets decreased by \$1,802 from the prior year. Current period depreciation was equal to \$1,802. There were no capital assets added or disposed of during the year.

ANALYSIS OF INDIVIDUAL DISTRICT FUNDS

General Operating Fund

Total revenues and other financing sources for the fiscal year show revenues outpacing expenditures by \$54,355.

Endowment Care Fund

The Endowment Care Fund increased by \$25,009 over the prior year. The principal portion of this fund is restricted and cannot be used for general operations. Thus, this fund will increase annually. The District can use the investment income portion of the fund, but has elected to allow the fund to grow with the investment income included.

FACTORS AFFECTING CURRENT FINANCIAL POSITION

The District anticipates that the General Fund revenues and expenses for the fiscal year will be roughly the same as the prior year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our Board of Directors, citizens, customers, taxpayers, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives and the stewardship of the facilities it owns and operates. If you have questions about this report or need additional information, please contact the Alamo-Lafayette Cemetery District, PO Box 1955, Lafayette, CA 94549.

ALAMO-LAFAYETTE CEMETERY DISTRICT*Governmental Funds Balance Sheet / Statement of Net Position**June 30, 2016*

	<u>General Fund</u>	<u>Endowment Fund</u>	<u>Total Governmental Funds</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS					
Cash and cash equivalents	\$ -	\$ 25,145	\$ 25,145	\$ -	\$ 25,145
Property taxes and receivables	8,149	-	8,149	-	8,149
Investments	-	467,516	467,516	-	467,516
Capital assets, net of accumulated depreciation	-	-	-	171,190	171,190
Total Assets	<u>\$ 8,149</u>	<u>\$ 492,661</u>	<u>\$ 500,810</u>	<u>171,190</u>	<u>672,000</u>
LIABILITIES					
Cash overdraft	\$ 315,498	\$ -	\$ 315,498	-	\$ 315,498
Accounts payable	48,028	-	48,028	-	48,028
Notes payable	-	-	-	38,638	38,638
Total Liabilities	<u>363,526</u>	<u>-</u>	<u>363,526</u>	<u>38,638</u>	<u>402,164</u>
FUND BALANCE / NET POSITION					
Fund Balance:					
Nonspendable - endowment principle	-	492,661	492,661	(492,661)	-
Unassigned	(355,377)	-	(355,377)	355,377	-
Total Fund Balance	<u>(355,377)</u>	<u>492,661</u>	<u>137,284</u>	<u>(137,284)</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 8,149</u>	<u>\$ 492,661</u>	<u>\$ 500,810</u>		
Net Position:					
Net investment in capital assets				132,552	132,552
Restricted for endowment				492,661	492,661
Unrestricted				(355,377)	(355,377)
Total Net Position				<u>\$ 269,836</u>	<u>\$ 269,836</u>

ALAMO-LAFAYETTE CEMETERY DISTRICT

*Reconciliation of the Governmental Funds Balance Sheet to Statement of Net Position
June 30, 2016*

Total fund balances - governmental funds \$ 137,284

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

Capital assets used for governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

The cost of capital assets is:	451,975	
Accumulated depreciation is:	<u>(280,785)</u>	
Capital assets, net of depreciation		171,190

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 include the outstanding note payable.

(38,638)

Total net position - governmental activities \$ 269,836

ALAMO-LAFAYETTE CEMETERY DISTRICT*Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances /
Statement of Activities**For the Fiscal Year Ended June 30, 2016*

	<u>General Fund</u>	<u>Endowment Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Expenditures/Expenses:					
Cemetery services-operations					
Employee salaries and services	\$ 188,993	\$ -	\$ 188,993	\$ -	\$ 188,993
Materials and services	220,049	26	220,075	-	220,075
Debt service - principal	6,304	-	6,304	(6,304)	-
Debt service - interest	2,087	-	2,087	-	2,087
Depreciation-unallocated	-	-	-	1,802	1,802
Total expenditures/expenses	<u>417,433</u>	<u>26</u>	<u>417,459</u>	<u>(4,502)</u>	<u>412,957</u>
Program Revenues:					
Charges for services	<u>177,924</u>	<u>-</u>	<u>177,924</u>	<u>-</u>	<u>177,924</u>
Net program expense				<u>(4,502)</u>	<u>235,033</u>
General Revenues:					
Property taxes	292,813	-	292,813	-	292,813
Miscellaneous income	<u>1,051</u>	<u>25,035</u>	<u>26,086</u>	<u>-</u>	<u>26,086</u>
Total general revenues and transfers	<u>293,864</u>	<u>25,035</u>	<u>318,899</u>	<u>-</u>	<u>318,899</u>
Excess (deficiency) of revenues over (under) expenditures	54,355	25,009	79,364	(79,364)	-
Change in fund balance/net position	54,355	25,009	79,364	<u>83,866</u>	<u>83,866</u>
Fund Balance/Net Position:					
Fund Balance/Net Position, July 1, 2015	<u>(409,732)</u>	<u>467,652</u>	<u>57,920</u>		<u>185,970</u>
Fund Balance/Net Position, June 30, 2016	<u>\$ (355,377)</u>	<u>\$ 492,661</u>	<u>\$ 137,284</u>		<u>\$ 269,836</u>

ALAMO-LAFAYETTE CEMETERY DISTRICT

*Reconciliation of the Statement of Governmental Fund Revenues, Expenditures, and Changes
in Fund Balance to the Statement of Activities*

For the Fiscal Year Ended June 30, 2016

Net Change in Fund Balances-Total Governmental Funds \$ 79,364

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

Governmental Funds report capital outlay as expenditures. However, in the Statement of Activities and Changes in Net Position, the cost of those assets is 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	-	
Depreciation Expense	<u>(1,802)</u>	
Net:		(1,802)

In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reduction of liabilities. Expenditures for repayment of the principal portion of long-term debt were:

6,304

Change in Net Position-Governmental Activities \$ 83,866

ALAMO-LAFAYETTE CEMETERY DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A. Description of Organization

The Alamo-Lafayette 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 effective April 5, 1937. 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 County Supervisors. Each member serves a term of four years; there are no term limits for reappointment. Board members may receive \$100 per meeting compensation for attending monthly and special meetings, up to a maximum of \$1,000 per month.

B. Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, and agencies that are not legally separate from the District.

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete.

The District has identified no organizations that are required to be reported as component units.

C. Basis of Presentation, Basis of Accounting

1. Basis of Presentation

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the primary government (the District) and its component units. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) 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, are presented as general revenues.

ALAMO-LAFAYETTE CEMETERY DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation, Basis of Accounting (continued)

1. Basis of Presentation (continued)

Fund Financial Statements

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

Major Governmental Funds

The District reports the following major governmental funds:

General Fund: This fund is used to account for all financial resources of the District except those required to be accounted for in another fund. Included are transactions for services, rents, property taxes, and interest. The general fund balance is available to the District for any purpose provided it is expended or transferred according to the rules of the Health and Safety Code and by approval of the Board of Trustees.

Endowment Care Fund: This fund is used to account for financial resources to be used for future maintenance of the Cemetery at such time when all lots have been sold and there is no longer revenue generated from such sales. The resources are derived from an endowment care fee assessed on each sale of a burial right and earnings on these resources. Only income earned on these resources may be used for regular operations of the cemetery. The principal must be preserved intact. Endowment Fund is in accordance with Section 9065(e) of the California Health and Safety Code.

2. Measurement Focus, Basis of Accounting

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. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, payments for services, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

ALAMO-LAFAYETTE CEMETERY DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation, Basis of Accounting (continued)

3. 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. Generally, available is defined as collectible within 60 days.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

D. Budgetary Data

The District follows these procedures in establishing budgetary data reflected in the Required Supplementary Information – Budgetary Comparison Schedule:

The District Manager submits to the Board of Trustees a proposed operating budget at the June Board meeting for the ensuing year. The annual budget is a complete financial plan for the ensuing budget year and consists of an operating budget and a capital budget. The General Fund is the only Fund for which an annual budget is legally adopted on a basis consistent with generally accepted accounting principles (GAAP). The Board then considers the proposed budget at its regular meeting, which is open to the public.

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

1. Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid investments with a maturity of three months or less, when purchased, to be cash equivalents. Cash deposits are reported at carrying amount, which reasonably estimates fair value.

2. Investments

Investments are reported at fair value except for short-term investments, which are reported at cost, which approximates fair value. Cash deposits are reported at carrying amount, which reasonably estimates fair value. Investments in governmental investment pools are reported at fair value based on the fair value per share of the pool's underlying portfolio.

3. Capital Assets

Capital assets are stated at cost or at their estimated fair value at date of donation. It is the District's policy to capitalize assets costing over \$5,000. The provision for depreciation is computed using the straight-line method over the estimated service lives of the capital assets.

ALAMO-LAFAYETTE CEMETERY DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

3. Capital Assets (continued)

Estimated service lives for the District's classes of assets are as follows:

Description	Estimated Lives
Buildings and Improvements	30-50 years
Machinery, Vehicles, and Equipment	10-15 years

4. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has no items that qualify for reporting in this category.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The District has no items that qualify for reporting in this category.

5. Compensated Absences

The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated annual and vacation leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

6. Net Position

Net position is classified into three components: net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets** - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- **Restricted** - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

ALAMO-LAFAYETTE CEMETERY DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

6. Net Position (continued)

- **Unrestricted net position** - This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

7. Fund Balances

The fund balance for governmental funds is reported in classifications based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Nonspendable: Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories and prepaid assets.

Restricted: Fund balance is reported as restricted when the constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provision or by enabling legislation.

Committed: The District's highest decision-making level of authority rests with the District's Board. Fund balance is reported as committed when the Board passes a resolution that places specified constraints on how resources may be used. The Board can modify or rescind a commitment of resources through passage of a new resolution.

Assigned: Resources that are constrained by the District's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent may be expressed by either the Board, committees (such as budget or finance), or officials to which the Board has delegated authority.

Unassigned: Unassigned fund balance represents fund balance that has not been restricted, committed, or assigned and may be utilized by the District for any purpose. When expenditures are incurred, and both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources in the order of committed, assigned, and then unassigned, as they are needed.

G. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates.

ALAMO-LAFAYETTE CEMETERY DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1, each year. Secured property taxes are levied on July 1 and are payable in two installments, on December 10 and April 10. The County of Contra Costa Assessor's Office assesses all real and personal property within the County each year. Property tax in California is levied in accordance with Article 13A of the State Constitution at one (1%) of countywide assessed valuations. The County of Contra Costa Treasurer's Office remits an undisclosed portion of the one (1%) current and delinquent property tax collections to the District throughout the year.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments at June 30, 2016, are reported at fair value and consisted of the following:

Pooled Funds

The District maintains balances of (\$315,498) and \$25,145 of cash in the County Treasury in its General Fund and Endowment Fund at June 30, 2016, respectively. The County pools and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited annually to participating funds. Any investment losses are proportionately shared by all funds in the pool.

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.

In accordance with applicable state laws, the County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2016, the County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

Pooled Investments

The District maintains deposits in the State's Local Agency Investment Fund (LAIF).

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.

NOTE 3 – PROPERTY TAXES AND RECEIVABLES

The total accounts receivable at June 30, 2016, in the amount of \$8,149 represents amounts due from the Contra Costa County Treasurer for interest earnings, property tax payments, and other funds.

ALAMO-LAFAYETTE CEMETERY DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 4 – CAPITAL ASSETS AND DEPRECIATION

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

	Balance, July 1, 2015	Additions	Retirements	Balance, June 30, 2016
Capital assets being depreciated:				
Buildings and Improvements	\$ 377,076	\$ -	\$ -	\$ 377,076
Equipment	74,899	-	-	74,899
Total capital assets being depreciated	<u>451,975</u>	<u>-</u>	<u>-</u>	<u>451,975</u>
Accumulated depreciation for:				
Buildings and Improvements	(204,084)	(1,802)	-	(205,886)
Equipment	(74,899)	-	-	(74,899)
Total accumulated depreciation	<u>(278,983)</u>	<u>(1,802)</u>	<u>-</u>	<u>(280,785)</u>
Total capital assets being depreciated, net	<u>172,992</u>	<u>(1,802)</u>	<u>-</u>	<u>171,190</u>
Governmental activity capital assets, net	<u>\$ 172,992</u>	<u>\$ (1,802)</u>	<u>\$ -</u>	<u>\$ 171,190</u>

NOTE 5 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2016, the District participated in the Special District Risk Management Authority (SDRMA) risk management programs for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

NOTE 6 – NOTES PAYABLE

On July 12, 2011, the District entered into a lease/purchase agreement with Zions First National Bank in the amount of \$66,000 to finance the acquisition and/or construction of real property and/or improvements. The agreement was executed with a fixed 4.9% interest rate, maturing between October 15, 2011 and July 15, 2021. As of June 30, 2016, the principal balance outstanding was \$38,638. The annual requirements to amortize all lease/purchase agreement payments outstanding at June 30, 2016, are as follows:

Fiscal Year	Principal	Interest	Total
2016-2017	\$ 6,619	\$ 1,773	\$ 8,392
2017-2018	6,949	1,443	8,392
2018-2019	7,296	1,096	8,392
2019-2020	7,660	732	8,392
2020-2021	8,042	349	8,391
2021-2022	<u>2,072</u>	<u>25</u>	<u>2,097</u>
	<u>\$ 38,638</u>	<u>\$ 5,418</u>	<u>\$ 44,056</u>

ALAMO-LAFAYETTE CEMETERY DISTRICT

Notes to Financial Statements

Years Ended June 30, 2016

NOTE 7 – FUND BALANCE

At June 30, 2016, fund balances of the District's governmental funds were classified as follows:

	General Fund	Endowment Fund	Total
Nonspendable:			
Endowment principle	\$ -	\$ 492,661	\$ 492,661
Unassigned	<u>(355,377)</u>	<u>-</u>	<u>(355,377)</u>
Total	<u>\$ (355,377)</u>	<u>\$ 492,661</u>	<u>\$ 137,284</u>

NOTE 8 – NEGATIVE FUND BALANCE

At June 30, 2016, the District had a negative fund balance in its General Fund (\$355,377). The negative fund balance in the General Fund was caused by having inadequate cash and the County allowing the District to draw negative.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

The District is involved in routine litigation incidental to its business and may be subject to claims and litigation from outside parties. After consultation with legal counsel, management believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

NOTE 10 – SUBSEQUENT EVENTS

Events subsequent to June 30, 2016 have been evaluated through April 26, 2017, the date at which the Commission's audited financial statements were available to be issued. No events requiring disclosures other than the one described above have occurred through this date.

Required Supplementary Information

ALAMO-LAFAYETTE CEMETERY DISTRICT
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2016

	<u>Budget Amounts</u>	<u>Actual</u>	<u>Variance with Budget</u>
Revenues			
Cemetery Income	\$ 168,000	\$ 178,975	\$ 10,975
Property taxes	240,000	292,813	52,813
Total Revenues	<u>408,000</u>	<u>471,788</u>	<u>63,788</u>
Expenditures			
Current:			
Salaries and benefits	260,160	188,993	71,167
General operations	124,800	220,049	(95,249)
Debt service	-	8,391	(8,391)
Total Expenditures	<u>384,960</u>	<u>417,433</u>	<u>(32,473)</u>
Excess Revenues over Expenditures	<u>23,040</u>	<u>54,355</u>	<u>31,315</u>
Fund Balance - beginning of year	<u>(409,732)</u>	<u>(409,732)</u>	-
Fund Balance - end of year	<u>\$ (386,692)</u>	<u>\$ (355,377)</u>	<u>\$ 31,315</u>

ALAMO-LAFAYETTE CEMETERY DISTRICT
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2016

NOTES TO SCHEDULE

Budgetary Comparison Schedule

This schedule is required by GASB Statement No. 34 as required supplementary information (RSI) for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedule presents both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the District's budgetary basis. A separate column to report the variance between the final budget and actual amounts is also presented, although not required.

Excess of Expenditures Over Appropriations

At June 30, 2016, the District incurred the following excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule:

<u>Appropriations Category</u>	<u>Amount</u>
General Operations	\$ 95,249
Debt Service	8,391

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

Board of Trustees
Alamo-Lafayette Cemetery District
Lafayette, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Alamo-Lafayette Cemetery District as of and for the five-year period ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Alamo-Lafayette Cemetery District's basic financial statements, and have issued our report thereon dated April 26, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Alamo-Lafayette Cemetery District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Alamo-Lafayette Cemetery District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Alamo-Lafayette Cemetery 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 District'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. 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies as Findings 2016-001 through 2016-003.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Alamo-Lafayette Cemetery District's financial statements are free of 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*.

Alamo-Lafayette Cemetery District's Responses to Findings

Alamo-Lafayette Cemetery District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Alamo-Lafayette Cemetery District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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.

A handwritten signature in blue ink that reads "Nigro+Nigro, PC". The signature is written in a cursive, flowing style.

Murrieta, California
April 26, 2017

Findings and Recommendations

ALAMO-LAFAYETTE CEMETERY DISTRICT
Schedule of Audit Findings and Recommendations
For the Fiscal Year Ended June 30, 2016

SECTION I - FINANCIAL STATEMENT FINDINGS

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

Finding 2016-001: Financial Reporting

Findings: The District Management is responsible for the preparation and fair presentation of financial statements in accordance with applicable accounting principles. This includes the design and implementation of relevant internal controls to ensure accurate and timely financial reporting. It appeared various accounts in the Districts general ledger had not been analyzed and adjusted for quite some time. Throughout the audit process, the District's staff provided us with the necessary analysis and adjustments, as requested.

Recommendation: We recommend the District take steps to evaluate the current accounting policies and procedures, and determine if revisions may be necessary to ensure timely and accurate financial reporting. In addition, develop a formal accounting policies and procedures manual by preparing a schedule of accounting procedures to be performed each month, quarter, and at year-end, as applicable. The schedule should include a detailed description of the required analysis and adjustments, along with due dates for the various procedures. The schedule should include provisions for sign-offs, indicating when the applicable procedures were performed and reviewed as necessary.

Views of Responsible Officials: The District has already followed through with Nigro & Nigro's referral to Accountemps to implement industry standard accounting records and financial reporting procedures that are financially feasible.

Finding 2016-002: Policies and Procedures

Findings: Our audit procedures involved obtaining and evaluating various policies and procedures. During our audit, we noted the District could benefit from establishing formal policies in certain areas, including the following:

- Accounting Policies and Procedures
- Appropriate Level of Unrestricted Fund Balance in the General Fund
- Fraud Prevention and Detection Policy (Code of Conduct)

Although the District may have informal policies in these areas, we believe the District could benefit from a more formal and comprehensive policies and procedures manual, approved by the governing board, which would provide detailed guidance to employees, especially given the small size of the District. This will help to ensure consistency in these areas, even if there is staff turnover. The following provides more detail regarding these policies and procedures:

Accounting Policies and Procedures

Communication is an essential component of a comprehensive framework of internal controls. One method of communication that is particularly effective for controls over accounting and financial reporting is the formal documentation of accounting policies and procedures. A well-designed and properly maintained system of documenting accounting policies and procedures enhances both accountability and consistency.

ALAMO-LAFAYETTE CEMETERY DISTRICT
Schedule of Audit Findings and Recommendations
For the Fiscal Year Ended June 30, 2016

SECTION I - FINANCIAL STATEMENT FINDINGS (continued)

Finding 2016-002: Policies and Procedures (continued)

The documentation of accounting policies and procedures should be evaluated and updated periodically, as necessary. It should be readily accessible to all applicable employees. An accounting policies and procedures manual should indicate which employees are to perform which procedures. It should delineate the authority and responsibility of all employees. Procedures should be described as they are actually intended to be performed, rather than in some idealized form. The documentation of accounting policies and procedures should explain the design and purpose of control related procedures to increase employee understanding.

Appropriate Level of Unrestricted Fund Balance in the General Fund

The District has a negative fund balance in its general fund in recent years, including the fiscal year ended June 30, 2016. It is essential that the District maintain adequate levels of fund balance to mitigate current and future risks (e.g., revenue shortfalls and unanticipated expenditures). In most cases, discussions of fund balance will properly focus on a District's general fund.

Code of Conduct (including fraud prevention and detection policies)

The District's management is responsible for designing and implementing systems and procedures for the prevention and detection of fraud, and for ensuring a culture and environment that promotes honesty and ethical behavior. This includes the responsibility to develop and implement a formal fraud risk assessment program.

Fraud can range from minor employee theft and unproductive behavior to misappropriation of assets and fraudulent financial reporting. Although external auditors are required to consider the risk of fraud in the audit process, it should be noted that external auditors are not considered part of the District's controls over the prevention and detection of fraud. Rather, external auditors are required to evaluate the District's fraud prevention and detection program, in relation to the audit of the financial statements.

The risk of fraud can be reduced through a combination of prevention, deterrence, and detection measures. However, fraud can be difficult to detect because it often involves concealment through falsification of documents or collusion among management, employees, or third parties. Therefore, it is important to place a strong emphasis on fraud prevention, which may reduce opportunities for fraud to take place, and fraud deterrence, which could persuade individuals that they should not commit fraud because of the likelihood of detection and punishment. Moreover, prevention and deterrence measures are much less costly than the time and expense required for fraud detection and investigation.

Overall, the District should establish a formal fraud risk assessment program, to ensure that the risk of fraud is being periodically evaluated, monitored, and that appropriate action is taken to address the identified risks.

Recommendation: We recommend the District develop and establish formal policies and procedures as discussed above. The policies and procedures should be developed by appropriate personnel and approved by the governing board. The District should consider GFOA's recommended practices and other resources during the process.

Views of Responsible Officials: The District is working with Accountemps and SDRMA (Special District Risk Management Association).

ALAMO-LAFAYETTE CEMETERY DISTRICT
Schedule of Audit Findings and Recommendations
For the Fiscal Year Ended June 30, 2016

SECTION I - FINANCIAL STATEMENT FINDINGS (continued)

Finding 2016-003: Inadequate Segregation of Duties

A fundamental element of internal control is the separation of duties so that one individual cannot perpetuate and conceal errors and irregularities in the normal course of his/her duties. Strong internal controls require the segregation of responsibilities for authorizing transactions, physical custody of assets and the related record keeping. For example:

- One individual should not have the ability to order, receive, approve for payment, and verify charges to the monthly accounting report.
- One individual should not have the ability to receive payments through the mail, prepare the deposits, reconcile the bank statements, and post payments to the receivable system.

Cash Receipting Observation:

When payments are received by the District it can be received by one of two people. The individual who receives the money also prepares the receipt and then may also make the deposit before the end of the day. One person should not be responsible for all the steps in this process.

Payroll Observation:

One person is permitted to hire and terminate employees, determine starting salary, and approve annual raises with the exception of the District Manager whose pay rate is determined bi-annually by the board. In addition, the District Manager is responsible for creating and maintaining employee personnel files, generating and updating employee profiles in QuickBooks, and tracking employee sick and vacation time. Finally, the District Manager calculates bi-weekly pay, writes, and distributes pay checks after the County endorses them. The District Manager can write checks to herself, tracks and updates her own hours, has access to all (including her own) QuickBooks profile, and records her own accrued vacation and sick time.

This lack of segregation of duties has left the District vulnerable to various forms of misappropriation of funds. The only compensating control to prevent this from occurring is the monthly review and approval of warrants by the governing board. Additionally, there is no review process in place that would prevent the District Manager from taking additional vacation or sick days and not deducting it from total accrued vacation, setting or increasing pay rates that are above fair market value, and giving additional vacation time to employees.

Recommendations:

Cash Receipting Observations:

The District should begin to prepare cash count sheets. Whichever employee collects the money and writes the receipt should then be required to have the other employee count it. Then each employee should sign the form indicating the amount has been received.

ALAMO-LAFAYETTE CEMETERY DISTRICT
Schedule of Audit Findings and Recommendations
For the Fiscal Year Ended June 30, 2016

SECTION I - FINANCIAL STATEMENT FINDINGS (continued)

Finding 2016-003: Inadequate Segregation of Duties

Recommendations (continued):

Payroll Observations:

The District should take several steps to ensure a proper segregation of duties.

- 1) Create and approve a salary schedule that will be used for structuring salaries. Additionally, criteria should be created to allow the District Manager to determine when a starting salary that is greater than the base rate is warranted; such as experience.
- 2) Terminations and hiring decisions should require board review and ratification.
- 3) The accrued vacation and sick time should be reviewed during the monthly board meeting.
- 4) The board should pre-approve a reasonable amount of overtime. Any requests for overtime above and beyond this would require additional approval.

Views of Responsible Officials: Due to the District's limitations in income, it is not financially possible to implement all of these recommendations at this time. However, the District is working on certain aspects while balancing costs.

ALAMO-LAFAYETTE CEMETERY DISTRICT

Summary Schedule of Prior Audit Findings

For the Fiscal Year Ended June 30, 2016

Original Finding No.	Finding	Recommendation	Current Status
<p><i>Finding 2015-001: Accounting Records and Financial Reporting</i></p>	<p>The District Management is responsible for the preparation and fair presentation of financial statements in accordance with applicable accounting principles. This includes the design and implementation of relevant internal controls to ensure accurate and timely financial reporting. It appeared various accounts in the Districts general ledger had not been analyzed and adjusted for quite some time. Throughout the audit process, the District's staff provided us with the necessary analysis and adjustments, as requested.</p>	<p>We recommend the District take steps to evaluate the current accounting policies and procedures, and determine if revisions may be necessary to ensure timely and accurate financial reporting. In addition, develop a formal accounting policies and procedures manual by preparing a schedule of accounting procedures to be performed each month, quarter, and at year-end, as applicable. The schedule should include a detailed description of the required analysis and adjustments, along with due dates for the various procedures. The schedule should include provisions for sign-offs, indicating when the applicable procedures were performed and reviewed as necessary.</p>	<p>Not Implemented. See Finding 2016-001.</p>
<p><i>Finding 2015-002: Policies and Procedures</i></p>	<p>Our audit procedures involved obtaining and evaluating various policies and procedures. During our audit, we noted the District could benefit from establishing formal policies in certain areas, including the following:</p> <ul style="list-style-type: none"> ➤ Accounting Policies and Procedures ➤ Appropriate Level of Unrestricted Fund Balance in the General Fund ➤ Fraud Prevention and Detection Policy (Code of Conduct) <p>Although the District may have informal policies in these areas, we believe the District could benefit from a more formal and comprehensive policies and procedures manual, approved by the governing board, which would provide detailed guidance to employees, especially given the small size of the District. This will help to ensure consistency in these areas, even if there is staff turnover. The following provides more detail regarding these policies and procedures:</p>	<p>We recommend the District develop and establish formal policies and procedures as discussed above. The policies and procedures should be developed by appropriate personnel and approved by the governing board. The District should consider GFOA's recommended practices and other resources during the process.</p>	<p>Not Implemented. See Finding 2016-002.</p>

ALAMO-LAFAYETTE CEMETERY DISTRICT

Summary Schedule of Prior Audit Findings

For the Fiscal Year Ended June 30, 2016

Original Finding No.	Finding	Recommendation	Current Status
<i>Finding 2015-002: Policies and Procedures (continued)</i>	<p data-bbox="430 412 989 688"><i>Accounting Policies and Procedures</i> Communication is an essential component of a comprehensive framework of internal controls. One method of communication that is particularly effective for controls over accounting and financial reporting is the formal documentation of accounting policies and procedures. A well-designed and properly maintained system of documenting accounting policies and procedures enhances both accountability and consistency.</p> <p data-bbox="430 721 989 1081">The documentation of accounting policies and procedures should be evaluated and updated periodically, as necessary. It should be readily accessible to all applicable employees. An accounting policies and procedures manual should indicate which employees are to perform which procedures. It should delineate the authority and responsibility of all employees. Procedures should be described as they are actually intended to be performed, rather than in some idealized form. The documentation of accounting policies and procedures should explain the design and purpose of control related procedures to increase employee understanding.</p> <p data-bbox="430 1114 989 1390"><i>Appropriate Level of Unrestricted Fund Balance in the General Fund</i> The District has a negative fund balance in its general fund in recent years, including the five-year period ended June 30, 2016. It is essential that the District maintain adequate levels of fund balance to mitigate current and future risks (e.g., revenue shortfalls and unanticipated expenditures). In most cases, discussions of fund balance will properly focus on a District's general fund.</p>		

ALAMO-LAFAYETTE CEMETERY DISTRICT

Summary Schedule of Prior Audit Findings

For the Fiscal Year Ended June 30, 2016

Original Finding No.	Finding	Recommendation	Current Status
<i>Finding 2015-002: Policies and Procedures (continued)</i>	<p data-bbox="428 412 991 466"><i>Code of Conduct (including fraud prevention and detection policies)</i></p> <p data-bbox="428 469 991 662">The District's management is responsible for designing and implementing systems and procedures for the prevention and detection of fraud, and for ensuring a culture and environment that promotes honesty and ethical behavior. This includes the responsibility to develop and implement a formal fraud risk assessment program.</p> <p data-bbox="428 695 991 971">Fraud can range from minor employee theft and unproductive behavior to misappropriation of assets and fraudulent financial reporting. Although external auditors are required to consider the risk of fraud in the audit process, it should be noted that external auditors are not considered part of the District's controls over the prevention and detection of fraud. Rather, external auditors are required to evaluate the District's fraud prevention and detection program, in relation to the audit of the financial statements.</p> <p data-bbox="428 1003 991 1166">The risk of fraud can be reduced through a combination of prevention, deterrence, and detection measures. However, fraud can be difficult to detect because it often involves concealment through falsification of documents or collusion among management, employees, or third parties.</p> <p data-bbox="428 1198 991 1446">Therefore, it is important to place a strong emphasis on fraud prevention, which may reduce opportunities for fraud to take place, and fraud deterrence, which could persuade individuals that they should not commit fraud because of the likelihood of detection and punishment. Moreover, prevention and deterrence measures are much less costly than the time and expense required for fraud detection and investigation.</p>		

ALAMO-LAFAYETTE CEMETERY DISTRICT

Summary Schedule of Prior Audit Findings

For the Fiscal Year Ended June 30, 2016

Original Finding No.	Finding	Recommendation	Current Status
<p><i>Finding 2015-002: Policies and Procedures (continued)</i></p>	<p>Overall, the District should establish a formal fraud risk assessment program, to ensure that the risk of fraud is being periodically evaluated, monitored, and that appropriate action is taken to address the identified risks.</p>		
<p><i>Finding 2015-003: Inadequate Segregation of Duties</i></p>	<p>A fundamental element of internal control is the separation of duties so that one individual cannot perpetuate and conceal errors and irregularities in the normal course of his/her duties. Strong internal controls require the segregation of responsibilities for authorizing transactions, physical custody of assets and the related record keeping. For example:</p> <ul style="list-style-type: none"> ➤ One individual should not have the ability to order, receive, approve for payment, and verify charges to the monthly accounting report. ➤ One individual should not have the ability to receive payments through the mail, prepare the deposits, reconcile the bank statements, and post payments to the receivable system. <p><u>Cash Receipting Observation:</u> When payments are received by the District it can be received by one of two people. The individual who receives the money also prepares the receipt and then may also make the deposit before the end of the day. One person should not be responsible for all the steps in this process.</p> <p><u>Payroll Observation:</u> One person is permitted to hire and terminate employees, determine starting salary, and approve annual raises with the exception of the District Manager whose pay rate is determined bi-annually by the board.</p>	<p><u>Cash Receipting Observations:</u> The District should begin to prepare cash count sheets. Whichever employee collects the money and writes the receipt should then be required to have the other employee count it. Then each employee should sign the form indicating the amount has been received.</p> <p><u>Payroll Observations:</u> The District should take several steps to ensure a proper segregation of duties.</p> <ol style="list-style-type: none"> 1) Create and approve a salary schedule that will be used for structuring salaries. Additionally, criteria should be created to allow the District Manager to determine when a starting salary that is greater than the base rate is warranted; such as experience. 2) Terminations and hiring decisions should require board review and ratification. 3) The accrued vacation and sick time should be reviewed during the monthly board meeting. 4) The board should pre-approve a reasonable amount of over-time. Any requests for overtime above and beyond this would require additional approval. 	<p>Not Implemented. See Finding 2016-003.</p>

ALAMO-LAFAYETTE CEMETERY DISTRICT

Summary Schedule of Prior Audit Findings

For the Fiscal Year Ended June 30, 2016

Original Finding No.	Finding	Recommendation	Current Status
<i>Finding 2015-003: Inadequate Segregation of Duties (continued)</i>	<p>In addition, the District Manager is responsible for creating and maintaining employee personnel files, generating and updating employee profiles in QuickBooks, and tracking employee sick and vacation time. Finally, the District Manager calculates bi-weekly pay, writes, signs, and distributes pay checks. The District Manager can write checks to herself, tracks and updates her own hours, has access to all (including her own) QuickBooks profile, and records her own accrued vacation and sick time.</p> <p>This lack of segregation of duties has left the District vulnerable to various forms of misappropriation of funds. The only compensating control to prevent this from occurring is the monthly review and approval of warrants by the governing board. Additionally, there is no review process in place that would prevent the District Manager from taking additional vacation or sick days and not deducting it from total accrued vacation, setting or increasing pay rates that are above fair market value, and giving additional vacation time to employees.</p>		