

***Special Study of the
Barstow Cemetery District***

LAFCO 3266



LAFCO

for San Bernardino County

Accepted and Filed January 17, 2024

TABLE OF CONTENTS

Executive Summary	3
Section 1: Purpose of Report	6
Section 2: What is a Public Cemetery District?	8
Section 3: Barstow Cemetery District History	11
Section 4: Previous LAFCO Reviews and Studies	12
Section 5: Continued Monitoring: Review of Finances and Internal Controls thru June 2022	14
Section 6: Continued Monitoring: July 2022 to December 2023	23
Section 7: Options	28
Attachments	31
Sources	31

EXECUTIVE SUMMARY

The Barstow Cemetery District (the “District”) has historically experienced challenges with governance, management, and finances. The Local Agency Formation Commission’s 2008 and 2020 service reviews related to the District identified structural deficiencies which have intensified since then. These structural deficiencies resulted in mounting challenges with staffing, operations, and general governmental functions. In June 2023, LAFCO staff received concerns from citizens regarding the District. Staff then attended the District’s July 12 meeting and provided public comment on LAFCO’s role over special districts. At the LAFCO July 2023 meeting the Executive Officer reported that staff attended a meeting of the Barstow Cemetery District to discuss their ongoing issues and public comment was provided regarding the challenges facing the District. Subsequently, the Commission directed its staff to conduct a service review or special study of the District.

In brief, a public cemetery district:

- Is a not well known but vital public service. They give communities the means to publicly finance cemetery operations, and to provide respectful and reasonably priced interment services, particularly in rural or semi-rural areas of the state.
- Is a not a typical district. It is a trust to maintain the resting place of others in perpetuity as well as management of others’ funds in trust. Hence a board of trustees instead of board of directors.
- Is unique in its governance and financial operations. At the outset, and in the case of a failing cemetery district or private cemetery, the county is the default cemetery jurisdiction, governing body, and fiscal authority.

Below are the objectives of this special study (in bold) with staff’s summary:

1) Identify the strengths, weaknesses, opportunities, and threats of the Barstow Cemetery District its cemetery services.

This study identifies two root causes of the challenges facing the District – one internal and one external.

- A. Challenges resulting from historical recruitment and retention of the board of trustees and general manager in this disadvantaged community, coupled with the lack of acumen and training of the general manager position.

This has led to a cycle of lack of understanding on how to govern and operate a government agency, lack of understanding of financial management, lack of accurate plot mapping records and data, and lack of

internal controls. What happens when organizations do not have internal controls? They expose themselves to theft, embezzlement, and liability. It is not to say that these things have happened, but bad actors can exploit these weaknesses. Further, without proper internal controls the independent auditor may not be able to properly identify the risks associated with the organization. Lastly, this study stresses that the board of trustees make policy and they direct the general manager to carryout the day-to-day operations. Similarly, the general manager is of one type of job classification and the field workers are of another job classification with specific liability coverage.

All the above has resulted in unnecessary risk and exposure as well as lack of accountability over much time.

B. Challenges in raising revenue due to statutory restrictions.

The State Health and Safety Codes prohibit public cemetery districts from performing activities in competition with private cemeteries.¹

- Section 9060 currently prevents public cemetery districts from providing above-ground mausoleums. Allowing above-ground interments would provide a choice of the type of services desired, save expensive ground space, and increase cemetery revenues.
- Section 9053 currently restricts public cemetery districts from selling monuments or markers. Allowing these sales would meet customer demand and create an additional source of revenue.

The District also needs to tell its own story. Cemetery districts are relatively unknown to the community. It is important for the District to tell its own story so its constituents and other elected officials can better understand how these important services are provided and governing bodies can make more informed decisions.

2) Review options available for sustainable service delivery.

The board has taken actions to chart a new path for the District. They have replaced the former general manager with a new general manager and a consultant. These new leadership staff members have hired new grounds crew, upgraded the financial accounting system, undertaken an accounting and digital mapping of the records and data, and are establishing internal controls via a policy and procedure manual.

¹ California Association of Public Cemeteries. "What You Should Know about Public Cemetery Districts". Pamphlet, date unknown.

In essence, what is occurring is a reset – a generally new board, new general manager, new policy and procedure manual, new internal controls, culture, and standards. Now is the time to create and foster the culture and standards that will promote sustainability. Such actions that can be taken by the Commission and the County are to:

- Request the District board and general manager to attend LAFCO's Governance Training sessions that are typically held in Apple Valley.
- Request the County Supervisorial Districts that overlay the District's boundary, as they are the appointers of the District's board of trustees, to ensure that District board members and general manager participate in training activities. It behooves the County to provide the District with the mechanisms to promote sustainability and adherence to the new standard due to the woven statutory measures that place the board of supervisors and county treasurer as the governing body and treasurer, respectively, of a public cemetery district should the county desire to do so.

The above actions would support sustainability and the hopeful result would be to recruit and retain competent board members, retain a competent general manager, recruit and retain competent grounds crew, obtain the correct equipment for the task, implementation of a policy and procedure manual with internal controls, as well as continual professional training in governance, finance, and cemetery operations.

3) Review options available should the District not be able to provide sustainable service delivery.

Section 7 of this study outlines the available options should the District not be able to provide sustainable service delivery. Of the options identified, LAFCO staff's position is that the only option that would succeed is for the Commission to make a formal request to the County Board of Supervisors to invoke the statutes to assume governance and financial responsibility of the District and its cemetery. This option does not have to be permanent; even if temporary, it would provide the opportunity to reset the board and staff positions and implement the necessary internal controls and support mechanisms.

SECTION 1: Purpose of Special Study

Why did the Commission Initiate a Special Study?

The District has historically experienced challenges with governance, management, and finances. The Commission's 2008 and 2020 service reviews identified structural deficiencies which have intensified since then. These structural deficiencies resulted in mounting challenges with staffing, operations, and general governmental functions.

In June 2023, LAFCO staff received concerns from citizens regarding the District. Staff then attended the District's July 12 meeting and provided public comment on LAFCO's role over special districts.

At the LAFCO July 2023 meeting during public comment, David Maya representing Friends of Barstow Cemetery Task Force, provided comments regarding the challenges facing the District. Additionally at the July meeting, the Executive Officer reported that staff attended a meeting of the Barstow Cemetery District to discuss their ongoing issues. The Commission directed its staff to conduct a service review or special study of the District.

In late July, the District board terminated its general manager and contracted with the general manager of the Twentynine Palms Cemetery District, Emily Helm, to be the Acting General Manager. The intent is for Ms. Helm to provide professional services until such time that the District is operating satisfactorily and can hire a full-time replacement. Both districts agreed to the dual role as it is a temporary measure. In October, the District hired a new general manager and office staff with Ms. Helm remaining as a part-time consultant.

Authority to Conduct a Special Study

LAFCO has a state-mandated role to review the ability of an agency to provide a service, if that service is efficient and effective, and if the agency is accountable for community service needs. Instead of conducting a service review, the Commission directed its staff to prepare a special study pursuant to Government Code Section 56378 of the District. This approach permits LAFCOs to study agencies and their maximum service area and service capacities.

Objective

The objective of this special study is to:

- 1) Identify the strengths, weaknesses, opportunities, and threats of the District and its cemetery services.
- 2) Review options available for sustainable service delivery.

- 3) Review options available should the District not be able to provide sustainable service delivery.

Agency Outreach

LAFCO staff conducted an extensive outreach effort with the District, including, but not limited to:

- *In Person Interviews.* LAFCO staff conducted a site visit and interviewed the general manager and two board members from the Barstow Cemetery District.
- *Staff presentation to District board of trustees.* LAFCO staff presented the final draft of the special study to the District's board meeting on December 20, 2023.
- *Notice of the LAFCO hearing.* LAFCO provided the required notice of the Commission hearing to all agencies, stakeholders, and interested parties, which is also noticed on the LAFCO website.
- *Staff report with final draft.* The staff report, outlining recommendations for Commission action, along with the final draft of the special study, was provided to all affected agencies, stakeholders, and interested parties, which is also available on the LAFCO website.

Report Order

This special study is organized in chronological order when possible.

SECTION 2: What is a Public Cemetery District?

The California State Legislature established the Public Cemetery District Law in 1909. It authorized the creation of public cemetery districts to give communities the means to publicly finance cemetery operations, and to provide respectful and reasonably priced interment services, particularly in rural or semi-rural areas of the state.

Cemetery districts are authorized to provide standard cemetery functions, including land acquisition, cemetery maintenance, interment/disinterment services and grounds keeping. In private religious and fraternal cemeteries, the costs of these services are reflected entirely in the prices of grave spaces, burial fees, and charges against endowment funds. Public cemetery districts finance these services through property taxes and fees for services (i.e. the sale of burial plots, charges for openings, and setting of markers).

Public cemeteries are among the earliest and oldest public facilities in the state and were in existence prior to the enactment of the first public cemetery district law in 1909. Public cemetery districts are organized and have powers pursuant to Division 8 of the California Health and Safety Code relating to cemeteries and specifically pursuant to the Public Cemetery District Law (Health and Safety Code §9000 et seq.). This law was revised in its entirety and re-codified effective January 1, 2004.

Public cemetery districts are special districts that are legally separate from any other unit of local government. A governing body composed of three or five members is solely responsible for all aspects of district operations. Trustees, who must be registered voters within the district, are appointed by county board of supervisors to fixed, four-year terms of office. Alternatively, a board of supervisors can appoint itself as the board of trustees. Today, there are 253 public cemetery districts in California, including four districts in San Bernardino County (two independent and two dependent). Cemetery districts rank fourth in the total number of special districts in California, behind water districts, fire districts and community services districts.

Benefits to Residents Residing within a Public Cemetery District

The key benefit for residents residing in a public cemetery district is access to reasonably priced burial and, if available, cremation services. The Health and Safety Code prescribes those who may be interred in district cemeteries. The deceased should have been a resident or taxpayer of the district, or former resident or taxpayer of the district who purchased lots prior to leaving the area or selling his/her land. Family members are eligible for interment but are limited to spouses, grandparents, children and siblings. The law mandates that cemetery districts have local policies and fees for non-residents.

Fiscal Challenges Facing Public Cemetery Districts

First, unlike most special districts, cemetery districts do not hold monopoly service authority. Private cemeteries, both religious and secular, can and do compete with public cemeteries particularly in more urbanized areas. Therefore, existing cemetery districts face market pressures usually not associated with the delivery of most other government services. Second, most public cemeteries are in rural or disadvantaged areas where private cemeteries cannot operate profitably. Third, public cemetery districts have inherited unendowed plots that must be cared for and acres of land with no way to charge for their maintenance. Fourth, since 1985, all public cemetery districts have been required to collect endowment contributions to fund long-term maintenance. However, it is not known if only 40 years' worth of gains has been adequate to fund ongoing maintenance for interned plots that did not pay into the required endowment.

As a result, the formation of new public cemetery districts has been uncommon in California.

Relationship between Counties and Public Cemetery Districts

Public Cemetery Districts are unique in their governance and financial operations. At the outset, and in the case of a failing district or enterprise, the county is the default cemetery jurisdiction, governing body, and fiscal authority. For example:

- Cemetery Jurisdiction
 - If not owned by a city or fraternal or beneficial association or society, public cemeteries are under the jurisdiction and control of the board of supervisors of the county in which they are situated.
- Governing Body
 - Board trustees of cemetery districts are appointed by a county board of supervisors to fixed, four-year terms of office. Alternatively, a board of supervisors can appoint itself to be the board of trustees.
 - A board of supervisors, at the request of the district board of trustees, may increase or decrease the number of members of the board of trustees, to five or three, respectively.
- Fiscal Authority
 - For those cemetery districts with annual revenues of \$500,000 or less, the county treasurer serves as the district treasurer and receives no compensation for the receipt and disbursement of money of the district. (If a district has total annual revenues of \$500,000 or greater, the district may

withdraw its funds from control of the county treasurer, appoint its own district treasurer, and manage its own funds.)

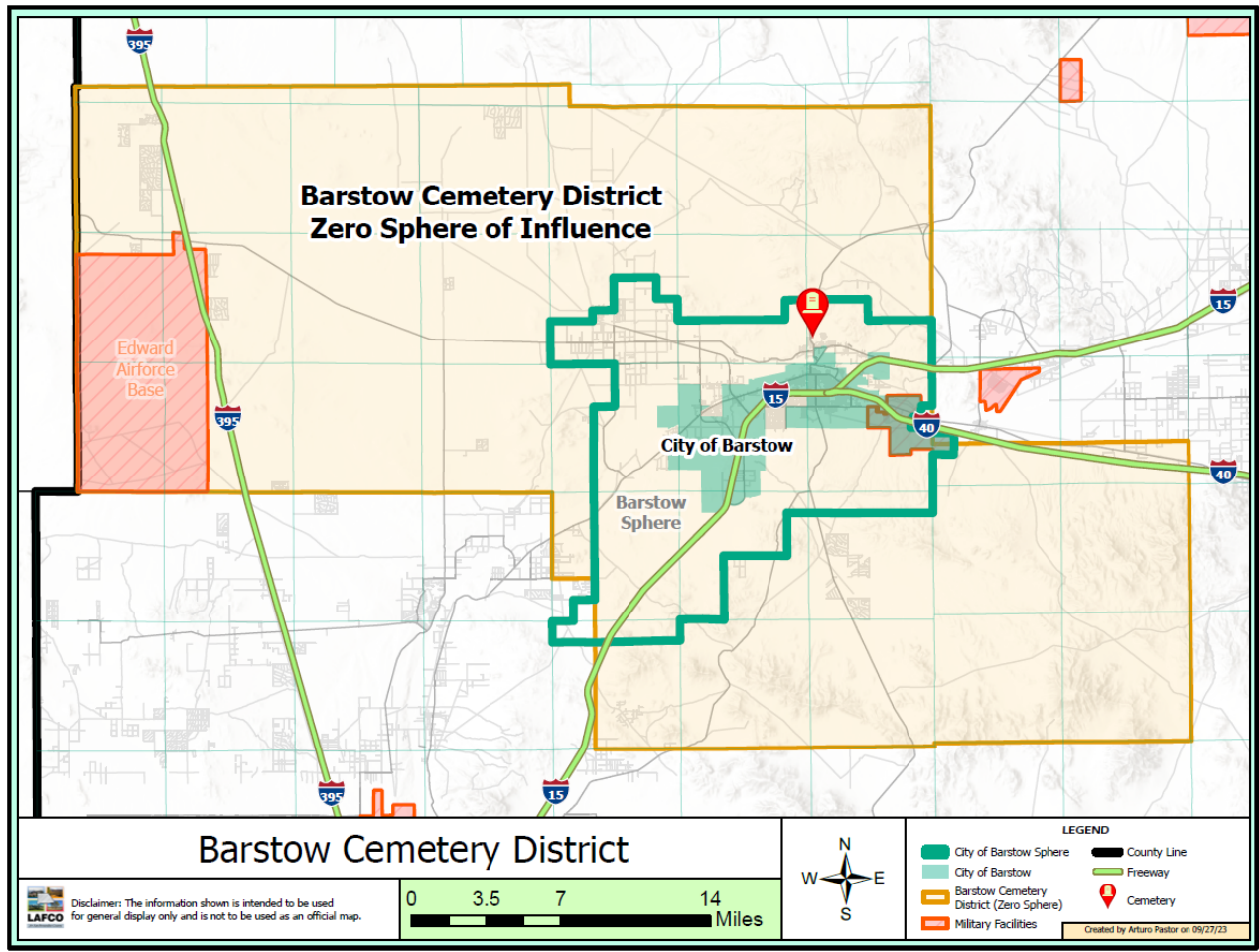
- A cemetery district may request the purchasing agent of the county to make purchases of materials, equipment, or supplies on its behalf or may request the purchasing agent of the county to contract with persons to provide authorized projects, services, and programs.
- Existing law allows special districts to get cash advances from the county treasurer to pay authorized expenses. Government Code §53961 allows cemetery districts to have larger revolving funds with the county treasurer (up to 110 percent of one-twelfth of the district's adopted budget for that fiscal year) than most special districts.

SECTION 3: Barstow Cemetery District History

Mountain View Memorial Park started as a private cemetery in the 1930s. In 1947, the San Bernardino County Board of Supervisors and the electorate approved the formation of the Barstow Cemetery District, transitioning the cemetery from private to public.

The District's boundaries have not changed since its formation and comprise approximately 1,111 square miles. The District's service area includes the City of Barstow, area northwest and southeast from the City, and extends westerly to the Kern County line. The District's governing board consists of five trustees appointed at-large to four-year staggered terms.

The District owns three parcels (one is vacant) comprising 22 acres. Two parcels contain the memorial park on a total of 17 acres, and the vacant parcel comprises five acres. The memorial park, operating in the name of Mountain View Memorial Park, is approximately one mile outside the City of Barstow corporate limits but within its sphere of influence. According to the District, there are roughly 100 interments a year, with roughly 8,900 interments to date and 13 acres that are unmarked.



SECTION 4: Previous LAFCO Reviews and Studies

A. 2008 Service Review of the Barstow Community (LAFCO 3034)

LAFCO conducted the first service review for the Barstow Cemetery District in 2008. At that time, LAFCO staff raised concerns regarding the District's fiscal health, lack of a master plan, and non-compliance with providing annual audits and budgets to the State Controller and County Auditor. Based on the determinations in the 2008 service review, LAFCO designated a zero sphere of influence for the District and stated its position that either the County of San Bernardino or the City of Barstow succeed to the cemetery's operations. The Commission also referred the matter to the County Auditor for further investigation of the District's financial matters with notification to the Grand Jury.²

B. 2020 Service Review of Public Cemetery Districts (LAFCO 3245)

The second service review to include the District was in 2020 for all public cemetery districts within the county.³ The service review included the following conclusions, recommendation for the District, and determinations made by the Commission for the District:

Conclusions

- a. From an organizational perspective, has historically lacked the proper foundations on governance, and the financial resources to adequately fund bookkeeping and the overall operations of a special district. In response to the First Draft, the District identifies that it is currently searching for a financial advisor.
- b. Experienced frequent changes in personnel, as well as limited financial resources, perpetuating the District's ongoing operational issues.
- c. Operated without legal counsel until October 2020, exposing the District to unnecessary risk. In response to the First Draft, the District identifies that it has retained legal counsel.
- d. Is making strides to organize the office records, and there is movement towards digitization of the plot mapping information.
- e. Infrastructure is adequate, in light of revenue and operating constraints, and irrespective of the water and well issues. As for the water well issues, in response to the First Draft, the District states that Mojave Water Agency

² http://www.sbcounty.gov/uploads/lafco/proposals/servicereviews/barstow/Reso_3039_LAFCO_3034.pdf

³ https://www.sbcounty.gov/uploads/LAFCO/Downloads/Service_Review_PCD/Cemetery_SR_Final.pdf

has offered their experience and professional resources to implement a plan for significant water reduction along with grounds beautification.

- f. As of October 1, 2020, the most recent available audit for the District is for FY 2016/17. Therefore, this service review does not include a complete and accurate financial analysis for the District.
- g. General Fund is operating on a running deficit.
- h. The circumstances identified by the 2013/14 Grand Jury have returned.
- i. Current auditor has made so many ledger and journal entries that it can no longer conduct an independent audit, as its role shifted from independent auditor to bookkeeper.
- j. Endowment Fund appears to be healthy, with annual increases in the fund balance and relatively minor transfers out.

Recommendation

LAFCO recommends that the Barstow Cemetery District should focus on the implementation of governance and financial policies and practices.

Determination

LAFCO determines that continued monitoring take place for the Barstow Cemetery District.

Continued Monitoring

Staff provided three updates to the Commission, May 2021, July 2021, and November 2021. The updates outlined the ongoing challenges and notified the Commission that audits were completed for FY 2017/18 and FY 2018/19, and that no significant positive improvements were identified in the financial statements.

SECTION 5: Continued Monitoring: Review of Finances and Internal Controls through June 2022

The sole source used for this analysis is the District's own financial statements prepared by an independent auditor. As of the 2020 Service Review, the most recent available audit for the District was for FY 2016/17. Since then, the District has completed its backlog of past-due audits, and LAFCO staff can now prepare a comprehensive review up to June 30, 2022. The table below shows the audit completion dates:

Audit Year	2018	2019	2020	2021	2022
Completion	Oct 2021	Nov 2021	June 2022	Aug 2022	March 2023

Revenues are comprised of service fees, the District's share of the general property tax levy, and interest. Most of the revenues are derived from service fees. The District continues to utilize the County for payroll. During this period, the District had an external bank account for deposits and paying invoices.

The District maintains three funds for its operations:

1. The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
2. The Endowment Fund accounts for the portion of the monies paid for every interned person to be held as a perpetual endowment. Pursuant to State law, the board of trustees may not spend the principal of the Endowment Fund. However, the principal can be invested in securities and obligations, and the interest and gains may be spent from the investments (§9065(e)).
3. The Pre-Need Burial Fund is a private-purpose trust fund that transfers funds from its earnings to the General Fund to finance burial expenditures. Such fiduciary funds are used to account for assets held by the District as an agent or trustee for those to be interned later.

A. Summary

The root cause of the District's challenges is robust turnover and lack of government acumen of the board of trustees and general manager – not of any one person in particular but as a whole over time. This statement is supported by the determinations from the previous service reviews (LAFCO 3034 and 3245) and this special study (LAFCO 3266).

One result has been a lack of internal controls.

B. Internal Controls

Internal controls are mechanisms, rules, and procedures implemented by a company or agency to ensure the integrity of financial and accounting information, promote accountability, and prevent fraud. At the outset, internal controls establish the processes and outline employee protocol and procedures so employees are not left guessing how to perform their job duties or which procedure to follow. Unfortunately, this has been the case at the District. Additional reasons for adopting internal controls are that they:

- Improve process performance.
- Improve operational efficiency.
- Keep duties separated.
- Mitigate business risk.
- Organize information.
- Produce timely financial statements.
- Reduce errors.

The District's independent auditor issued findings and recommendations for each audit identifying 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*. Items 1 and 2 below are identified in all five audit years, and items 3, 4, and 5 were not identified for 2021/22.

1.

Finding 2022-001: Fiscal Instability

Findings: At June 30, 2022, the District's General Fund owed \$83,116 to the Endowment Fund and \$321,039 to the Pre-Need Fund. The District's General Fund has \$174,800 in assets, while liabilities total \$417,870 at June 30, 2022. Continued cash borrowing threatens the District's financial stability.

Recommendation: We recommend the District create a plan that enables the General Fund to achieve and maintain a positive ending fund balance. Those actions will likely include a combination of reductions in expenditures/deficits and increases in revenues/surpluses. Additionally, the District should seek opinions from the County and its attorney whether it is allowable to close the District's Pre-Need Fund and account for all non-Endowment related activities within its General Fund. This would result the elimination of the interfund payable between the Pre-Need Fund and General Fund of \$321,039.

2.

Finding 2022-002: Policies and Procedures

Findings: Our audit procedures involve obtaining and evaluating various policies and procedures which comprises the District's internal controls. During our audit, we noted the District needs to establish formal policies in applicable accounting areas such as payroll, disbursements, credit cards, receipting, capitalization threshold, fund balances, interfund borrowing, etc. Although the District may have some informal policies in these areas, we believe the district could benefit from a more formal and comprehensive policy and procedures manual, approved by the governing board. They would provide detailed guidance to employees, especially given the small size of the District. This will help to ensure consistency in these areas if there is staff turnover and provide for equal application.

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 policies and procedures. A well-designed and properly maintained system of documenting policies and procedures enhances both accountability and consistency.

The auditor's findings specifically identify the following areas (*summarized by LAFCO staff*):

- A. Accounting Policies and Procedures – the District lacks these policies and procedures
- B. Capital Assets – there is no policy regarding inventory of assets and capitalization
- C. Accounts Payable/Purchasing – the District does not require a vendor to provide a 1099 prior to issuing payment and lacks a policy regarding credit card purchases
- D. Endowment/Pre-Need Sales – The District did not perform monthly reconciliations of its sales nor did the District make its deposits and transfer required amounts to the appropriate funds for endowment or pre-need.
- E. Month-End/Fiscal Year Closing - At the conclusion of each month the district should have set procedures that close out the financial entries for the month, including recognizing the activity that occurred within its funds held within the county treasury. At the conclusion of the fiscal year, the district must update its fund financial accounting records on a modified accrual basis and it's government-wide financial accounting records on a full-accrual basis.

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.

The District should develop formal accounting policies, procedures manuals and prepare a schedule of routine accounting tasks that need to be performed each month, quarter and at the close of the fiscal and calendar years, as applicable.

- The schedule should include a detailed description of the required analysis and adjustments, along with due dates for the various procedures.
- Schedule should include provisions for signoffs, indicating when the applicable procedures were performed and reviewed as necessary.
- Prioritize making the required transfers to the Endowment and Pre-Need funds on a monthly basis.

3.

Finding 2021-003: Cash Disbursements

Findings: During our review of cash disbursements, our sample of 35 disbursements identified 3 that were missing supporting documentation such as a receipt or invoice.

Recommendation: We recommend that the District establish formal procedures related to cash disbursements functions. Those procedures should indicate the type of documentation that is required to be obtained in advance of issuing payment. They should also clearly identify the records to retain, where they will be kept and for how long these records will be stored. Safeguarding documents related to disbursements and ensuring that the accounting records are complete are paramount to good internal controls.

4.

Finding 2021-004: CalPERS Reporting

Finding: During our inquiries of the pension reporting process, it was discovered that the District does not have a procedure to monitor when part-time or seasonal employees qualify for membership. Additionally, during our review of the CalPERS submission reports it was noted that, while the correct pay rate was reported, the reported earnings for both employees tested were not accurately reported to CalPERS. In both cases employees reported earnings were not consistent with the District's payroll records. Underreporting compensation to CalPERS can have a significant impact on the employees' pension calculation and result in significant penalties for the District.

Recommendation: We recommend that the District work with CalPERS to proactively report the correct information and retroactively report any payroll information that was incorrectly submitted to CalPERS.

5.

Finding 2021-005: Cash Receipting Procedures

Finding: During our review of the cash receipting process, we noted 4 instances, in our sample of 112 receipts, where the receipt noting the services to be rendered used with the districts adopted pricing sheet, incorrectly calculated the total due or was a partial payment collected for pre-need services with no documentation of the future amounts due or the services to be rendered.

Recommendation: We recommend that the District identify a process which automates and standardizes the invoicing process for services, including pre-need contracts through QuickBooks. All sales should be processed, and receipts issued through the District's accounting software. Additionally, we recommend that the district establish a policy to ensure appropriate supporting documentation is retained for any discounted services.

C. Cash & Investments and Fund Balances

The first table below identifies the cash and investments. Even though funds have shifted between accounts, with new accounts established, the total cash and investments have increased during this period.

January 2024
Barstow Cemetery District Special Study

	2018	2019	2020	2021	2022
Cash in SB County Treasury	165,955	167,297	130,001	141,883	144,174
Deposits - Bank of America	21,798	30,828			
Cash - Wells Fargo Advisors	17,440	27,498			
Deposits - Local Banks			37,424	40,299	156,471
Cash on hand	17,733	254			
Investments	645,322	672,462	742,269	894,584	764,491
TOTAL	868,248	898,339	909,694	1,076,766	1,065,136

However, an agency may appear to be cash solvent, budget solvent, and long-run solvent, yet it may not be service-level solvent. Service level solvency is the ability of an agency to fund the services at levels that its citizens desire. An agency may appear to be financially solvent, but it may not be able to support general activities at an adequate level. An increase in service level or large expense would affect cash, budget, or long-run solvency.

The table below shows the fund balances of each fund: General, Endowment, and Pre-Need. As with cash and investments, total fund balance has increased during this period. From 2018 to 2022, the Endowment Fund and Pre-Need Fund have increased considerably while the General Fund had a running deficit, decreasing in balance each year until 2022.

	2018	2019	2020	2021	2022
General Fund	(32,005)	(139,434)	(324,213)	(320,338)	(243,070)
Endowment fund	786,119	842,663	909,056	1,080,563	973,431
Pre-Need fund	168,978	257,918	298,030	409,109	462,251
TOTAL	923,092	961,147	882,873	1,169,334	1,192,612

The running deficit of the General Fund is due to it owing significant, and increasing, amounts to the Pre-Need Fund and Endowment Fund. The financial statements, to include its Management Discussion and Analysis, do not provide a reason for the amounts owed. The table below shows the amounts owed by the General Fund to the Endowment Fund and Pre-Need Fund, as well as outstanding water bills.

General Fund Owes	2018	2019	2020	2021	2022
Pre-Need Fund		163,003	243,569	281,700	321,039
Endowment Fund		22,255	40,963	60,155	83,116
Golden State Water Company			73,022	34,820	-
Fund Balance, General Fund	(32,005)	(139,434)	(324,213)	(320,338)	(243,070)

D. General Fund

At this time, any unexpected expenses could further challenge the General Fund, prompt service reduction, fee increases, or cause the General Fund to enter negative territory and result in a running deficit. In short, the District lacks the availability of reasonable emergency reserves.

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
REVENUES						
Charges for services	158,267	161,649	182,558	205,383	309,480	263,255
Property taxes	143,541	156,074	146,662	147,284	152,178	157,573
Other	5,852	7,481	833	3,434	11,268	572,031
Total Revenue	\$ 307,660	\$ 325,204	\$ 330,053	\$ 356,101	\$ 472,926	\$ 992,859
EXPENDITURES						
Salaries & Benefits	232,590	215,324	261,409	233,173	305,634	304,357
Services & Supplies	199,426	116,719	171,873	222,851	163,417	180,487
Capital Outlay		12,424	4,200	84,856	-	430,747
Total Expenditures	\$ 432,016	\$ 344,467	\$ 437,482	\$ 540,880	\$ 469,051	\$ 915,591
Revenues less Expend.	(124,356)	(19,263)	(107,429)	(184,779)	3,875	77,268
OTHER FINANCING						
Transfers In/Adjustments	11,443	28,829				
Fund Balance End	(41,571)	(32,005)	(139,434)	(324,213)	(320,338)	(243,070)

Current District management states that the District did not transfer funds from its Pre-Need and Endowment accounts to the General Fund when paying for expenditures related to such activities. Whereas it is correct to pay for these activities from the General Fund, the funds to pay for these activities would come from the Pre-Need or Endowment Funds. Lack of internal controls and a functioning policy and procedure manual led to this circumstance.

E. Endowment Fund

Since 1985, all public cemetery districts have been required to collect endowment contributions to fund long-term maintenance.

The figure below shows the fund balance of the Endowment Care fund for the past five years. The Endowment Funds appears to be healthy, with annual increases in the fund balance and relatively minor transfers out. Of concern is the lack of

transfers out to the General Fund. The law allows for investment gains to be used for maintenance and capital improvements.

Of note, the fund experienced a sharp gain of roughly \$172,000 in 2020/21 with a corresponding sharp loss of roughly \$107,000 in 2021/22 – not in line with previous years. The audit does not provide an explanation for the consecutive investment gains and losses.

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
REVENUES						
Charges for services	27,016	17,418	17,654	18,708	28,204	22,961
Interest & investment	1,506	4,848	38,890	47,685	143,303	(130,093)
Total Revenue	\$ 28,522	\$ 22,266	\$ 56,544	\$ 66,393	\$ 171,507	\$ (107,132)
EXPENDITURES	-	-	-	-	-	-
Total Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Revenues less Expend.	28,522	22,266	56,544	66,393	171,507	(107,132)
OTHER FINANCING						
Other						
Transfers In (Out)	(11,443)	(28,829)				
Fund Balance End	\$ 792,681	\$ 786,119	\$ 842,663	\$ 909,056	\$ 1,080,563	\$ 973,431
sources: Statement of Revenues, Expenditures, and Fund Balances and Balance Sheets						

F. Pre-Need Fund

As shown in the table below, the Pre-Need Fund has experienced healthy annual gains since 2017/18.

	2017/18	2018/19	2019/20	2020/21	2021/22
Fund Balance	163,354	257,918	298,030	409,109	462,251
Cash & Equivalents	5,213	32,107	3,900	21	21
Due from other Funds	103,606	163,003	243,569	281,700	321,039
Accounts Receivable	54,535	62,808	50,561	127,388	141,191

On July 27, 2022, the District’s governing board approved a resolution to close the District’s Pre-Need fund on deposit at the County Treasury and transfer those funds and activity to the General Fund. As identified in the 2021/22 audit and in Item B – internal Controls (Item 1), above:

“Additionally, the District should seek opinions from the County and its attorney whether it is allowable to close the District’s Pre-Need Fund and account for all non-Endowment related activities within its General Fund. This would result the elimination of the interfund payable between the Pre-Need Fund and General Fund of \$321,039.”

However, LAFCO staff points out Pre-Need funds are those of future internees and held in trust by the District. In other words, these funds are not the District’s and should remain isolated and fully accounted. Failure to do so would be failure of their duty as fiduciaries.

G. Pension Liability and Contributions

CalPERS administers the District’s retirement plan. The District’s most recent audit, for FY 2021/22, identifies that its share of the net pension liability has decreased significantly from a high of \$216,844 in 2018 to a low of \$77,845 in 2022. Similarly, the funding of the plan (assets over liabilities) rose to a high of 90.91% from 69.85% during this same time. This snapshot shows that the District’s portion of the CalPERS plan is healthy. However, this could change just as easy given the market conditions.

SECTION 6: Continued Monitoring: March 2022 to December 2023

Additional Update to the Commission

At the March 2022 meeting during public comment, Dr. Denise Meek representing Save the Barstow Cemetery provided comments regarding the Barstow Cemetery Landscape Conversion project. In response, the Commission requested staff to review and provide an update on the landscape project.

On May 3, 2022, staff conducted a site visit to the cemetery. The District General Manager provided staff a tour of the grounds and identified the progress to date as well as next steps. At the May 2022 LAFCO meeting, LAFCO staff encouraged the District to increase communication with the community on the benefits of the project as well as better signage that clearly acknowledges the inconvenience that the project has created due to all the construction activity.

June and July 2023

In June 2023, LAFCO staff received concerns from citizens regarding the District. Staff then attended the District's July 12 meeting and provided public comment on LAFCO's role over special districts.

At the LAFCO July 2023 meeting during public comment, David Maya representing Friends of Barstow Cemetery Task Force provided comments regarding the challenges facing the District to include its governance, management, and finances. Additionally at the July meeting, the Executive Officer reported that staff attended a meeting of the Barstow Cemetery District to discuss their ongoing issues. The Commission expressed its sentiment for staff to conduct a service review or special study of the District.

In late July, the District board terminated its general manager and contracted with the general manager of the Twentynine Palms Cemetery District, Emily Helm, to be the Acting General Manager. The intent is for Ms. Helm to provide professional services until such time that the District is operating satisfactorily and can hire a full-time replacement. Both districts have agreed to the dual role as it is a temporary measure. In October, the District hired a new general manager and office staff with Ms. Helm remaining as a part-time consultant.

September to December 2023

During this period, the special study is being undertaken and is tentatively scheduled for Commission review and consideration at its January 2024 meeting.

In sum, the historical level of service considering revenue and operating constraints is not adequate. Strides have been made to organize the office records, and there have been efforts to digitize plot mapping information. The availability of resources (fiscal, adopted service or work plans) are not present to provide adequate service.

- **Record Keeping**

The interim general manager inherited an organization that lacked the proper foundations on governance, and the financial resources to adequately fund bookkeeping and the overall operations of a special district.

Frequent changes in personnel, as well as limited financial resources, have perpetuated the District's ongoing operational issues.

- **Financial Records and Bookkeeping**

- 2020

A DOS-based software program was used for financial bookkeeping.

- Update

During LAFCO's site visit, the interim general manager explained and showed the disparate record keeping methods of previous administrations. Further, the advancement from DOS bookkeeping to QuickBooks is a marked improvement.

- **Internment Records**

- 2020

The available technology was not sufficient to conduct an efficient business. Hand-written plot maps remain in vellum/Mylar paper form at the District office with additional plot information housed in a DOS-based computer program. The District attempted to move towards a more comprehensive digital solution by contracting with a firm from Ohio to upgrade the District's existing BSM (Burial Space Manager) system into a modern product that incorporates plot information with plot mapping. LAFCO staff understands that this project has never been completed and it is unclear to District staff why the contractor has not delivered the program. Nonetheless, some type of conversion to a more user-friendly system would move toward an improvement in public service.

- Update

The interim general manager further explained and showed how she has reorganized the on-site interment records into a comprehensive methodology. In addition, the District has extracted the information from the old system and saved it into a common industry cemetery mapping solution, CemSites. When complete, the program will be on the District's homepage and interactive by map and name.

- **Policies**

- 2020

The District could not identify if certain policies have been adopted. The historical record of the District is inadequate.

- Update

The District is adopting policies with the assistance of California Special Districts Association and using the policies of the Twentynine Palms Public Cemetery District as a guide.

- **Audits**

- 2020

The 2009/10 Grand Jury recommended that the District hire a bookkeeper, keep monthly financial statements and prepare an annual budget. Whereas the 2013/14 Grand Jury stated that this recommendation was accomplished, the circumstances returned. During LAFCO's site visit on September 25, 2020, District staff stated that its current auditor had made so many ledger and journal entries that it could no longer conduct an independent audit, as its role shifted from independent auditor to bookkeeper. Therefore, the District should focus on the implementation of appropriate financial practices. In response to the First Draft, the District identifies that it is currently searching for a financial advisor.

- Update

The district is current on completion of its audits. However, due to the lack of controls, the auditor decided not to engage in further audits for the District. Fortunately, the interim general manager convinced the independent auditor to not only conduct another audit engagement, for FY 2022/23, but to stay on for a few more years. As of this writing, the 2022/23 draft audit is anticipated by January or February 2024.

- **Legal Counsel**

- 2020

The District did not consult with legal counsel for its operations. However, for litigation matters, the District either hires legal counsel or has been covered by its insurance company. LAFCO's position is that operating without legal counsel exposes the District to unnecessary risk, which could lead to the need to have legal counsel for representation. Since the August 2016 hiring of the current general manager, she estimates that there have been at least six litigation matters regarding prior employee errors regarding plots. In response to the First Draft, the District identifies that it has retained legal counsel beginning October 2020.

- Update

When interviewed by LAFCO staff in September, the interim general manager stated that the District did not have a general legal counsel. She further stated that the District was scheduled to approve a contract with Best, Best, Krieger for general counsel and litigation services.

- **Endowment Care Fund**

- 2020

The Endowment Funds appears to be healthy, with annual increases in the fund balance and relatively minor transfers out. However, it appears that the gains from interest are low for an endowment nearing \$800,000. Recognizing the low returns, the District transferred a significant portion of its Endowment Funds from Wells Fargo to the Cooperative Funeral Fund.

- Update

The District has closed out all accounts at private banks and deposited all funds at the County Treasury. Due to improper accounting, the District has generally not utilized the gains from its investments, as permitted by law. The District is undertaking a records evaluation to determine how much of the fund is principal and how much is gains. With that determination, the District would be able to use the gains for capital improvements and equipment.

LAFCO staff is assisting the District with this determination by working with the County Auditor to obtain historic financial records of the fund.

- **Equipment**

- 2020

- The machines and tools to dig graves were either out-of-order or were not acquired. The general manager engaged in activities outside of the position's classification with inadequate equipment.

- Update

- The general manager and board have hired staff dedicated to physical labor and are purchasing the correct equipment.

- **Xeriscape and Upgrade Projects**

The District is in the process, with the assistance of the Mojave Water Agency, to transition its landscape from grass to drought tolerant plants. The demonstration section is now complete, and removal of non-native trees continues. The next phase is to delineate the sections with new curbing followed by irrigation.

In addition to the xeriscape project, the following upgrades have recently occurred:

- New ADA compliant restroom is being constructed with a joint grant from the City of Barstow and the County.
- Office building upgrade to replace the roof and swamp coolers.
- Purchase of a backhoe from grant funds from BNSF.
- Donation of \$5,000 from Barstow Hospital for equipment.

SECTION 7: Options

It is well documented that the existing cemetery district, despite good intentions, has struggled for many years to provide adequate services and has fallen short due to staffing, financial and other issues. Considering the income levels of existing households and the need for the public cemetery, efforts should focus on governance and training to build a proper foundation for future success.

While the discussion of some government structure options may be theoretical, a special study should address possible options. Such options should consider:

- Improving public participation, local accountability, and governance;
- Producing economies of scale and improving buying power in order to reduce service costs;
- Enhancing capital improvement plans;
- Improving the ability to provide and explain budget and financial data; and
- Improving the quality and/or levels of service.

Evaluation of these options should weigh:

- Long-term savings of the change versus related transition costs;
- Cost-benefit of restructuring the current governing body and/or administration to any proposed alternative;
- Impact on operating cost (short and long-term) due to government structure changes; and
- Impact of government structure options on an agency's financial stability.

1. Options available for sustainable service delivery.

A. System measures

This study demonstrates that the district has historically lacked proper controls, policies, and general good governance. Further, those charged with governance of the district, the board of trustees and the general manager, are generally new to the district. The following are the actions that need to occur for the district to be sustainable and provide efficient and effective service.

- 1) Hire and retain a competent general manager. *The District hired a general manager in October 2023.*
- 2) Proper training for the board of trustees and general manager that is continual. The City and County could support the continual training of the district board of trustees and general manager. This can be either from discretionary funds or inclusion their own training endeavors.
- 3) Adopt and implement proper controls.

- B. Overlaying agencies can lend support, what is allowed under law, the system measures identified above. The County Board of Supervisors has ultimate jurisdiction over public cemeteries and public cemetery districts. It behooves the board of supervisors to support good governance efforts of public cemetery districts. Such measures can include, but not be limited to, grant writing, training, one-time capital improvements, etc... LAFCO is not recommending that the county do the work; rather, to support implementing the mechanisms for continual good governance as well as one-time capital improvements.

- C. An opportunity may exist for the District to lease its non-dedicated land to other public agencies. Section 9054 permits a district to use or lease land acquired for future cemetery use to a public agency for recreational use. The District identifies that there are unused areas at this time.

- D. Utilize the gains from the endowment care fund to fund capital improvements.

2. Options available should the District not be able to provide sustainable service delivery.

Structure Options that include LAFCO

- A. Consolidate the two independent cemetery districts (Barstow and Twentynine Palms). This option would consolidate the two independent districts under one governing body. Administratively, there could be economies of scale – fewer administrative staff. Operationally, there would not be economies of scale due to the need to house heavy equipment at each location since the distance between cemeteries is roughly 100 miles. For the governing body, an independent district with two zones roughly 100 miles apart does not lend to local governance. Therefore, this option is not feasible.

- B. Combine all public cemeteries (Barstow, Twentynine Palms, Lucerne Valley, and Searles Valley) by forming a County Service Area, governed by the County Board of Supervisors, to function as a single-purpose agency for all public cemeteries. Administratively and operationally, there would be economies of scale, as a single entity would conduct administration and operations. For the governing body, there would be a single body to govern all public cemeteries in the county. However, the two dependent districts (Lucerne Valley and Searles Valley) provide more than one function and separating these functions would reduce the community nature of the current form of governance in these communities. Further, this option would require an election. Therefore, this option is not feasible.

Structure Options that do not include LAFCO

- C. The County Board of Supervisors may appoint itself to be the board of trustees (§9026). Such an action would not require LAFCO approval as it would not be a change of organization; rather, the District remains but the governing body would be different. This would provide the District with resources that it currently lacks.

- D. Cemetery service to be provided by the City of Barstow. Current law (Health and Safety Code §8125) authorizes cities to survey, lay out, and dedicate for burial purposes no more than five acres of public lands. The District operates more than five acres. If the City were to succeed to the District's cemetery services, special legislation would need to occur and there is statutory precedent for such authorization. In 2008, AB 1932 (Smyth) authorized the City of Simi Valley to operate a cemetery on public lands containing five acres or more. Should the City desire to succeed to the District's services and facilities, special legislation would be required.

- E. Outsourcing financial and/or administrative duties. The board of trustees would have to weigh the cost-benefits of outsourcing versus in-house management.

- F. The law allows a public cemetery district to convey a cemetery owned by the district to any cemetery authority.

- G. Records show that community interest in board membership historically has been low. An option afforded in Public Cemetery District law is for the board to request through resolution that the County Board of Supervisors reduce board membership from five members to three members (§9020, §9025). In the LAFCO staff's view, limiting membership to three members for such a large geographical area would not promote any oversight efficiencies; a full membership of five members should be sought by the District and the County Board of Supervisors to promote adequate oversight of District affairs and community participation for an important service.

Alternatively, the County Board of Supervisors may appoint itself to be the board of trustees (§9026). Such an action would not require LAFCO approval as it would not be a change of organization, rather the District remains, but the governing body would be different.

Attachments:

Barstow Cemetery District's portion of LAFCO's 2020 *Countywide Service Review for Public Cemetery Districts*

2021/22 Financial Statements, Findings

Sources:

Barstow Cemetery District

Financial Statements, FYs 2017-18 through 2021-22

Interview, 5 September 2023

CalPERS

Actuarial Reports

LAFCO

Fiscal Indicators Program

LAFCO 3034 – Service Review and Sphere of Influence Update for Barstow Cemetery District (2008)

LAFCO 3245 – Countywide Service Review for Public Cemetery Districts (2020)

San Bernardino County

Interview, First Supervisorial District, 7 September 2023

Interview, Third Supervisorial District, 7 September 2023