

**NORTH COUNTY CEMETERY
DISTRICT
ANNUAL FINANCIAL REPORT**

JUNE 30, 2013

NORTH COUNTY CEMETERY DISTRICT
OF SAN DIEGO COUNTY

ESCONDIDO, CALIFORNIA

JUNE 30, 2013

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Marvin D. Hudson	President	December 2015
Sharon Disney	Vice President	December 2014
Richard Hyde	Trustee	December 2016
Steven Lochridge	Trustee	December 2014
Thomas S. Knight	Trustee	December 2013

ADMINISTRATION

Dennis Shepard, S.D.A. General Manager

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NORTH COUNTY CEMETERY DISTRICT

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
North County Cemetery District
EscondidoEscondidoEscondido, California

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of the governmental activities, and each fund of North County Cemetery District , as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise North County Cemetery District 's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinion

In my opinion, the financial statements referred to present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of North County Cemetery District, as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis and budgetary comparison information, on pages and XX-XX 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I 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*, I have also issued my report dated [*insert date of report*] on my consideration of North County Cemetery District's internal control over financial reporting and on my 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 my 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 North County Cemetery District's internal control over financial reporting and compliance.

[*Signature*]

[*Date*]

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MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

This section of the North County Cemetery District's annual audit report presents a discussion by the General Manager of the District's financial performance during the fiscal year which ended on June 30, 2013. While retaining much of the fund-based reporting model from years past, the F/Y 2012/2013 is reported in a *government-wide* format in compliance with *Governmental Accounting Standards Board* Statement numbers 34 and 54.

Fund balance is an important measure that represents the difference between a fund's assets and liabilities. The overall objective of fund balance reporting is to isolate that portion of the fund balance that is unavailable to support the following period's budget. However, not all amounts reported as part of fund balance are available to be used in a future budget. Government Accounting Standards Board Statement no. 54 improves the reporting of fund balance by developing a hierarchy of fund balance classifications to which governments are bound by constraints on resources reported in the funds.

Please read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

During the year the District's total net position increased from \$ 8.0 million in the previous year to \$ 8.4 million. The increase was mainly due to \$289,733 of additional property tax dollars from the RDA dissolution and a modest increase of Cemetery Income. Total revenues, (Total Operating Income), increased by 18%, or \$300,237 as compared to the last Fiscal Year. This was due to the unexpected property tax income. Of this \$187,108.99 has been placed in a Committed fund pending outcome of litigation brought by several RDA Successor Agencies. Interest on Investments for F/Y 2012-2013 was down \$18,400 or 43%, from F/Y 2011-2012. Over the last two years, income from earned interests has decreased almost 50%. The normal Property Tax distribution without considering the money from the RDA dissolution, the tax revenues increased by 4% from the previous year. Total Expenses increased \$111,420 in F/Y 12-13 over F/Y 11-12. Wages and Health Care costs were the largest contributors to this increase with Health Care costs increasing 18.67%, \$15,000 of the total \$20,000 increase in Salary & Wages. Supplies & Services increased by \$28,000 driven by an operation software upgrade from Burrows to CemSafe. The refinance of the real estate loan resulted in an increase of approximately \$28,000 more debt service than previous years.

NORTH COUNTY CEMETERY DISTRICT

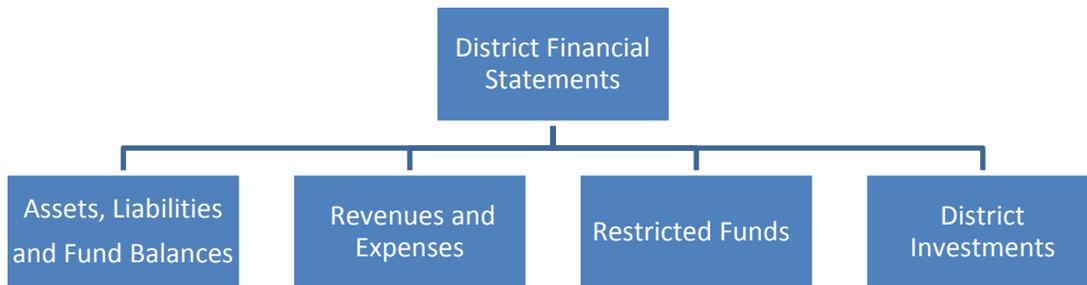
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued JUNE 30, 2013

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the North County Cemetery District's basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

BASIC FINANCIAL STATEMENTS

The Financial Statements of the District describe accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. There are four parts to the District's financial statements:



- The *Statement of Assets, Liabilities and Fund Balances* include all of the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities).
- All of the current year's revenues and expenses are accounted for in the *Statement of Revenues and Expenses*. This statement measures the success of the District's operations over the past year and can be used to determine if the District has successfully recovered all of its costs through fees for services and other charges.
- The *Summary of Restricted Funds* is a report of the total assets and the physical placement of the District's restricted funds:
 - Endowment Care Fund - Non-Spendable
 - Pre-need Fund - Committed
 - Capital Outlay Fund - Committed
- The *Statement of District Investments* is a monthly report of all Districts funds that are invested in accordance with the California Health & Safety Code, the California Government Code, and the District's Investment Policy, (policy #3060).

NORTH COUNTY CEMETERY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
 JUNE 30, 2013

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

Assets: The District's combined assets increased by 6.33% during fiscal year 2012-2013 ending at approximately \$10.4 million (See Table A-1).

	Table A-1 (in dollars)		
	<u>2010-2011</u>	<u>2011-2012</u>	<u>2012-2013</u>
Assets: Cash & Investments:			
General Operating Fund	\$ 475,456	\$ 513,892	\$ 779,632
Pre-Need Fund	\$ 2,248,165	\$ 2,431,113	\$ 2,618,709
Endowment Care Fund	\$ 3,025,092	\$ 3,131,091	\$ 3,234,652
Capital Outlay Fund	<u>\$ 728,911</u>	<u>\$ 335,347</u>	<u>\$ 594,847</u>
	\$ 6,477,624	\$ 6,411,443	\$ 7,227,840
Fixed Assets:			
Land	\$ 2,591,506	\$ 2,591,506	\$ 2,591,506
Structures & Improvements	\$ 5,031,062	\$ 5,376,579	\$ 5,396,150
Equipment	<u>\$ 573,910</u>	<u>\$ 579,060</u>	<u>\$ 545,261</u>
	\$ 8,196,479	\$ 8,547,145	\$ 8,532,917
Total Assets:	\$14,674,103	\$14,958,588	\$15,760,757
Less Accumulated Depreciation	<5,004,431>	<5,171,012>	<5,342,022>
Total: Assets (After Depreciation)	\$ 9,669,672	\$9,787,576	\$10,418,735

- Land: No change in 2012-2013.
- Structures & Improvements: A new pump motor was installed at the San Marcos water well; a new “wash down” area was constructed next to the San Marcos shop; and an electrical upgrade was completed on the Oak Hill rental house.
- Equipment: No equipment was added to the District.
- The District completed its annexation of 68,509 acres in July of 2013.

NORTH COUNTY CEMETERY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued JUNE 30, 2013

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

General Operating Fund:

- Revenues: Total Operating Income for the year increased by \$292,675 or 21.38% from last year's performance.
 - The Board of Trustees voted in July to raise the District fees for cemetery services by 5%. The total revenue received from Cemetery Service Income increased by \$6,799 or 1.41%. There was a 2.8% increase in the number of services in the District. 404 interments were completed in 12/13, compared to 393 in 11/12 and 381 services in 10/11.
 - Tax revenue increased by \$300,274 or 48.1% over the F/Y 2011/2012 amount. \$22,272 of this amount was due to increased property assessments, and \$278,002 was from payouts through the RDA dissolutions. Because of pending litigation by the Successor Agencies, \$187,109 is held in a committed account pending the outcome.
 - Investment yields during F/Y 2012-2013 decreased by \$18,479 or 42.7% from last F/Y. This is reflective of the world wide economic climate. The average interest paid by the San Diego County Investment pool languished around 0.5% in 12/13. Revenue from interest on investments during the past three years, (10-11, 11-12, 12-13), has been close to 50% of the revenue experienced prior to the 2008 fall, (05-06, 06-07, 07-08).
- Expenditures: Total expenditures for the year were managed closely despite several large unplanned expenses. Expenses were 0.4% (\$5,206) over budgeted levels despite unexpected expenditures of: \$11,250 for new water well pump motor in San Marcos; \$2,423 at Oak Hill to upgrade fuel storage facilities to meet new Air Pollution Control Standards; \$19,000 as a 50% payment on new Cemetery Software/Database Program.
- Total General Operating Fund revenues over expenditures for the year was \$186,792. In July of 2013, \$187,10089 of this was designated as a committed fund pending the outcome of several law suits by RDA Successor Agencies who argue the County A/C distribution. \$190,827 was moved to the Capital Outlay fund committed to next year's land acquisition loan payment. The balance of \$66,365 was moved to the Capital Outlay Fund.

Endowment Care Fund: At the end of the fiscal year the endowment care fund had increased by \$103,561.33 to a new level of \$3,234,651.86. This was a 3.2% increase of the total fund. The increase was due to active pre-need sales, and fee increase by the Board in July of 2012. \$25,195.82 in interest, (generated from investments of the fund during 2011-2012) was budgeted by the Board of Trustees to be included in the general operating income for F/Y 11/12.

Pre-need Fund: The pre-need fund was increased by \$173,291.38 or 6.6%, to a total of \$2,618,708.52. This was the result of the sale of \$390,024.29 of pre-need services and the receipt of \$12,964.24 in interest from investments of the fund. The general operating fund received \$227,840.30 from services that were used from the pre-need fund during the year. \$1,856.85 was sent to the state as sales tax.

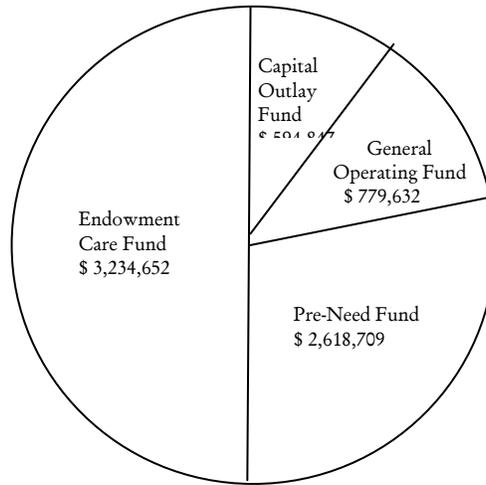
Capital Outlay Fund: After receiving \$190,827.33 from fiscal year 2011-2012 and paying the July "Land Acquisition Loan" payment of \$158,279, the capital outlay fund began the year with a total of \$367,896 in the

NORTH COUNTY CEMETERY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
JUNE 30, 2013

fund. The District Annexation project spent \$11,250. \$1,269 of interest was added to the fund. The Land Acquisition Loan was refinanced. The District was able to retire a 4.8% loan through Citizens Business Bank by obtaining a new 15 year loan with 3.2% annual rate from Capital One Public Funding, LLC. \$158,279 of the fund was used to pay down the loan. An additional \$395,211 was financed in order to complete the Niche Rehabilitation at Oak Hill. The fund ended the year at \$594,847.

District Funds Balances as of June 30, 2013



NORTH COUNTY CEMETERY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued JUNE 30, 2013

CURRENT YEAR BUDGET 2011-12

The District revises its annual budget over the course of the year. This is done to reflect any changes in expected revenues and expenditures. The final amendment to the budget was approved on [DATE]. A schedule of the District's General Fund original and final budget amounts compared with actual revenues and expenditures is provided with the basic financial statements in the audited financial report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The number of interments in the District increased to 404 in F/Y 2012/2013. This is a 2.8% increase over last year. The revenue from interments in F/Y 2013/2014 is anticipated to be greater than F/Y 2012/2013. A slight increase in the number of services to a total of 415 at the new fee schedule effective August 1, 2013, will result in a 7.1% increase in cemetery revenue. The overall fee schedule for service provided by North County Cemetery District was increased by approximately 3% by motion of the Board of Trustees for the F/Y 2013/2014. The weak economy, and particularly the slow property sales and reduced property values in the past 5 years will keep the tax revenue stream lower than was experienced in F/Y's 06/07. The property tax revenue for 2013/2014 is budgeted slightly more than the actual revenues from F/Y 2012/2013 but less than F/Y 2008-2009. Revenues from investments are expected to mirror F/Y 2012/13 as the economy does appear to be recovering slowly. While early indications are positive, a "bear market" is expected for the next 12 to 24 months.

The District's outreach within the San Marcos and Escondido communities continue through activities with the Chambers of Commerce, History Centers and advertising.

The focus of the management team in F/Y 2012/2013 was on the District Annexation. The new Cemetery Management Software System and increased services are the top priorities of the District in F/Y 2013/2014.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers and customers with a general overview of the Districts' finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the North County District office at 2640 Glen Ridge Road, Escondido, CA. 92027.

NORTH COUNTY CEMETERY DISTRICT

STATEMENT OF NET POSITION & GOVERNMENTAL FUNDS BALANCE SHEET
FOR THE YEAR ENDED JUNE 30, 2013

	General Fund	Pre-Need Fund	Capital Outlay Fund
ASSETS			
Cash and cash equivalents	\$ 779,632	\$ 1,543,409	\$ 594,847
Investments	-	1,075,301	-
Capital assets, non-depreciable	-	-	-
Capital assets, depreciable, net	-	-	-
TOTAL ASSETS	\$ 779,632	\$ 2,618,710	\$ 594,847
LIABILITIES			
Accrued liabilities	\$ -	\$ -	\$ -
Long-term liabilities, current portion	-	-	-
Long-term liabilities	-	-	-
Total Liabilities	-	-	-
FUND BALANCES / NET POSITION			
Net investment in capital assets	-	-	-
Non-spendable, fund balance	200	-	-
Restricted, net position	-	-	-
Spendable			
Committed	257,109	2,618,710	495,429
Assigned	-	-	99,418
Unassigned / Unrestricted	522,323	-	-
Total Fund Balances / Net Position	779,632	2,618,710	594,847
TOTAL LIABILITIES & FUND BALANCES / NET POSITION	\$ 779,632	\$ 2,618,710	\$ 594,847

The accompanying notes are an integral part of these financial statements

Endowment Fund	Total	Adjustments (Note 2 A.)	Statement of Net Position
\$ 2,009,525	\$ 4,927,413	\$ -	\$ 4,927,413
1,225,129	2,300,430	-	2,300,430
-	-	2,591,506	2,591,506
-	-	599,389	599,389
<u>\$ 3,234,654</u>	<u>\$ 7,227,843</u>	<u>\$ 3,190,895</u>	<u>\$ 10,418,738</u>
\$ -	\$ -	6,370	\$ 6,370
-	-	57,207	57,207
-	-	1,948,491	1,948,491
-	-	2,012,068	2,012,068
-	-	1,308,826	1,308,826
2,768,543	2,768,743	(2,768,743)	-
-	-	2,768,543	2,768,543
466,111	3,837,359	(3,837,359)	-
-	99,418	(99,418)	-
-	522,323	3,806,978	4,329,301
<u>3,234,654</u>	<u>7,227,843</u>	<u>1,178,827</u>	<u>8,406,670</u>
<u>\$ 3,234,654</u>	<u>\$ 7,227,843</u>	<u>\$ 3,190,895</u>	<u>\$ 10,418,738</u>

NORTH COUNTY CEMETERY DISTRICT

STATEMENT OF ACTIVITIES & GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2013

	General Fund	Pre-Need Fund	Capital Outlay Fund
REVENUES			
Taxes and assessments	\$ 924,740	\$ -	\$ -
Revenue from use of money and property	27,889	12,964	1,271
Charges for services	437,916	405,614	-
Other revenues	20,120	-	-
Total Revenues	1,410,665	418,578	1,271
EXPENDITURES / EXPENSES			
Current:			
Salaries	623,105	-	-
Benefits	209,973	-	-
Materials and services	368,508	3,141	80,000
Transfers to other agencies	-	-	-
Other charges	13,967	-	-
Depreciation	-	-	-
Capital outlay	8,320	-	11,251
Debt service:			
Principal	-	-	1,746,330
Interest	-	-	162,323
Total Expenditures/Expenses	1,223,873	3,141	1,999,904
Excess (Deficiency) of Revenues Over Expenditures / Expenses	186,792	415,437	(1,998,633)
OTHER FINANCING SOURCES/(USES) & SPECIAL ITEMS			
Transfers In	269,775	-	190,827
Other Sources	-	-	2,067,306
Transfers Out	(190,827)	(227,840)	-
Other Uses	-	-	-
Special items	-	-	-
Net Financing Sources (Uses)	78,948	(227,840)	2,258,133
NET CHANGE IN FUND BALANCE / CHANGE IN NET POSITION			
Fund Balance / Net Position - Beginning	513,892	2,431,113	335,347
Fund Balance/Net Position - Ending	\$ 779,632	\$ 2,618,710	\$ 594,847

The accompanying notes are an integral part of these financial statements

Endowment Fund	Total	Adjustments (Note 2 B.)	Statement of Activities
\$ -	\$ 924,740	\$ (10,603)	\$ 914,137
21,924	64,048	(16,050)	47,998
123,575	967,105	16,050	983,155
-	20,120	-	20,120
145,499	1,976,013	(10,603)	1,965,410
-	623,105	(2,313)	620,792
-	209,973	-	209,973
-	451,649	(45,725)	405,924
-	-	-	-
-	13,967	-	13,967
-	-	171,009	171,009
-	19,571	(19,571)	-
-	1,746,330	(1,746,330)	-
-	162,323	6,370	168,693
-	3,226,918	(1,636,560)	1,590,358
145,499	(1,250,905)	1,625,957	375,052
-	460,602	(460,602)	-
-	2,067,306	(2,067,306)	-
(41,935)	(460,602)	460,602	-
-	-	-	-
-	-	-	-
(41,935)	2,067,306	(2,067,306)	-
103,564	816,401	(441,349)	375,052
3,131,090	6,411,442	1,620,176	8,031,618
\$ 3,234,654	\$ 7,227,843	\$ 1,178,827	\$ 8,406,670

NORTH COUNTY CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The North County Cemetery 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 July 1, 1984, as a merger of the Escondido and San Marcos Cemetery Districts. The District is governed by a Board of Trustees (Board) that acts as the authoritative body of the entity. The Board is comprised of five members appointed by the San Diego County Board of Supervisors. Each member serves a term of four years; there are no term limits for reappointment. Board members may receive up to \$100 per meeting compensation for attending monthly and any special meetings, up to a maximum of four meetings per month.

The Officers of the Board of Trustees shall be the Chairperson of the Board, the Vice Chairperson of the Board, and the Secretary of the Board. The Chairperson and Vice Chairperson shall be trustees. The Secretary may be either a trustee or a district employee. The positions which are held by Trustees shall have the same rights as the other members of the Board in voting, introducing motions, resolutions, ordinances, and any discussion of questions that follow said actions. These positions of Chairperson and Vice Chairperson will be rotated annually with the Vice Chairperson replacing the Chairperson effective January 1 of each year. Rotation through the positions will be by seniority as a Trustee of the District, with the most senior Trustee serving as the Chairperson initially. The Trustee with the next most seniority would serve as the Vice Chairperson. Each Trustee would then rotate through the positions in the order of seniority. The Chairperson responsibilities are to preside at all meetings of the Board and perform all duties commonly incident to the position of presiding officer of a board, commission, or business organization.

B. Component Unit

Component units are legally separate organizations for which a District is financially accountable. Component units may also include organizations that are fiscally dependent on a District, in that a 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 a District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause a District's financial statements to be misleading or incomplete. For financial reporting purposes, component units have a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*. This District has no such component units.

C. Other Related Entities

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

NORTH COUNTY CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued JUNE 30, 2013

D. Basis of Presentation

Government-Wide 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, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenue, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenue 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. Indirect expense allocations that have been made in the funds have been reserved for the statement of activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting of operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District.

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.

Governmental funds are used to account for activities that are governmental in nature. Governmental activities are typically tax-supported and include education of pupils, operation of food service and child development programs, construction and maintenance of school facilities, and repayment of long-term debt.

Major Governmental Funds

General Fund. The general fund is the main operating fund of the District. It is used to account for all activities except those that are required to be accounted for in another fund. In keeping with the minimum number of funds principle, all of a District's activities are reported in the general fund unless there is a compelling reason to account for an activity in another fund. A District may have only one general fund.

Pre-Need Fund, special revenue fund. The Pre-Need Fund was established to account for the proceeds from "pre-need" activities that are restricted or committed to the financing of pre-need burial services which compose a substantial portion of the inflows of the fund. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund:

Capital Outlay Fund, capital project fund. Capital Outlay Fund was established to account for financial resources to be used for the acquisition or construction of major capital facilities. Additionally, the debt service for any long-term financing is accounted for in this fund.

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

NORTH COUNTY CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued JUNE 30, 2013

E. Basis of Accounting – Measurement Focus

Government-Wide Statement

The government-wide financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using 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.

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

Governmental Funds

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within one year after year-end. All other revenue items are considered to be measurable and available only when the District receives cash. Revenue limits, property taxes, and grant awards are recorded the same as what is described for Government-Wide Statements. Expenditures generally are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, early retirement and postemployment healthcare benefits and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Revenues – Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 30 days of fiscal year-end.

Property taxes are government mandated non-exchange transactions and are recognized when all eligibility requirements have been met. Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of San Diego bills and collects the taxes on behalf of the District. The District recognizes property tax revenues actually received as reported by the San Diego County Auditor Controller. The District makes no accrual for property taxes receivable as of June 30.

NORTH COUNTY CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2013

Expenses/Expenditures

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

F. Assets, Liabilities, and Net Position

Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the county treasurer for the purpose of increasing earnings through investment activities. The pool's investments are reported at fair value at June 30, 2013, based on market process. The individual funds' portions of the pool's fair value are presented as "Cash in County." Earnings on the pooled funds are apportioned and paid or credited to the funds quarterly based on the average daily balance of each participating fund. The District considers these balances to be cash on hand and demand deposits. In addition, because the Cash in County is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty, equity in the pool is also deemed to be a cash equivalent.

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of donation. The District maintains a capitalization threshold of \$500. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets utilized by the enterprise fund is also capitalized. Depreciation of capital assets is computed and recorded by the straight-line method over the following estimated useful life:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings	50
Site Improvements	7 – 30
Equipment	5 – 20

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

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

NORTH COUNTY CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued JUNE 30, 2013

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

Deferred Issuance Costs, Premiums, and Discounts

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method.

Fund Balance

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

Nonspendable - The nonspendable fund balance classification reflects amounts that are not in spendable form. For this District the imprest cash balance is nonspendable. This classification also reflects amounts that are in spendable form but that are legally or contractually required to remain intact, such as the principal of a permanent endowment.

Committed - The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Governing Board. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. In contrast to restricted fund balance, committed fund balance may be redirected by the government to other purposes as long as the original constraints are removed or modified in the same manner in which they were imposed, that is, by the same formal action of the Governing Board.

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

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

NORTH COUNTY CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued JUNE 30, 2013

Net Position

Net Position represent the difference between assets and liabilities. Net Position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The District has related debt outstanding as of June 30, 2013. Net Position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. The district-wide financial statements report \$2,768,543 of restricted net position.

Interfund Activity

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

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Budgetary Data

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

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

NORTH COUNTY CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued JUNE 30, 2013

F. New Accounting Pronouncements

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged.

In March 2012, the GASB issued Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged.

In June 2012, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions.

The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. Earlier application is encouraged.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement is effective for fiscal years beginning after June 15, 2014. Earlier application is encouraged.

NORTH COUNTY CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
 JUNE 30, 2013

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

A. Governmental Funds Balance Sheet and Statement of Net Assets

Total Fund Balance - Governmental Funds \$ 7,227,843

Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

Capital assets:

In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation:

	Capital assets	\$ 8,532,917	
	Accumulated depreciation	(5,342,022)	3,190,895

Unamortized costs:

In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the governmental-wide statements, debt issue costs are amortized over the life of the debt. Unamortized debt issue costs included in net long-term debt on the statement of net position are:

79,524

Unmatured interest on long-term debt:

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unamatured interest owing at the end of the period was:

(6,370)

Long-term liabilities:

In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

	Notes payable	(2,067,306)	
	Compensated absences	(17,916)	

Total Net Position - Governmental Activities \$ 8,406,670

NORTH COUNTY CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued JUNE 30, 2013

B. Governmental Funds Operating Statements and the Statement of Activities

Net Change in Fund Balances - Governmental Funds \$ 816,401

Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:

Capital outlay:

In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

	Expenditures for capital outlay:	19,571	
	Depreciation expense:	(171,009)	(151,438)

Debt service:

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 reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:

1,746,330

Debt proceeds:

In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount, were:

(2,067,306)

Debt issue costs:

In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, issue costs are amortized over the life of the debt. The difference between debt issue costs recognized in the current period and issue costs amortized for the period is:

	Issue costs incurred during the period:	80,000	
	Issue costs amortized for the period:	(476)	79,524

Earned but unavailable revenues:

In governmental funds, revenues are recognized only to the extent that they are "available," meaning they will be collected soon enough after the end of the period to finance expenditures of that period. In the governmental-wide statements, revenue is recognized when earned, regardless of availability. The amount of earned but unavailable revenues relating to the current period, less revenues that became available in the current period but related to a prior period, is:

(10,603)

Unmatured interest on long-term debt:

In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was:

(6,370)

Compensated absences:

In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amount earned. The difference between compensated absences paid and compensated absences earned, was:

2,313

Cost write-off for fixed assets:

There were some items in the fixed asset listing which were determined outside the capitalization threshold.

(33,799)

Change in Net Position of Governmental Activities	\$	375,052
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NORTH COUNTY CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2013

NOTE 3 - DEPOSITS AND INVESTMENTS

A. Summary of Deposits and Investments

	Governmental Activities
Cash on hand	\$ 200
Deposits in financial institutions	198,386
Cash in County	4,418,830
Mutual funds	309,997
Total	\$ 4,927,413
Investments	\$ 2,300,430

B. Policies and Practices

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

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

C. General Authorizations

Except for investments by trustees of debt proceeds, the authority to invest District funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website. The table below identifies examples of the investment types permitted in the investment policy:

NORTH COUNTY CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
 JUNE 30, 2013

Investment Type	Maximum Maturity	Maximum Specified % of Portfolio	Minimum Quality Requirements
Local Agency Bonds	5 years	None	None
U. S. Treasury Obligations	5 years	None	None
State Obligations – CA and Others	5 years	None	None
CA Local Agency Obligations	5 years	None	None
U. S. Agency Obligations	5 years	None	None
Bankers’ Acceptances	180 days	40%	None
Commercial Paper – Select Agencies	270 days	25%	“A-1” if the issuer has issued long- term debt it must be rated “A” without regard to modifiers
Commercial Paper – Other Agencies	270 days	25%	“A-1” if the issuer has issued long- term debt it must be rated “A” without regard to modifiers
Negotiable Certificates of Deposit	5 years	30%	None
CD Placement Service	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base value of the portfolio	None
Medium-Term Notes	5 years	30%	“A” Rating
Mutual Funds and Money Market Mutual Funds	N/A	20%	Multiple
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass-Through Securities	5 years	20%	“AA” Rating
Bank/Time Deposits	5 years	None	None
County Pooled Investment Funds	N/A	None	None
Joint Powers Authority Pools	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Voluntary Investment Program Fund	N/A	None	None

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the county pool. See “Specific Identification” for various maturities of the District’s investments.

NORTH COUNTY CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
 JUNE 30, 2013

E. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The underlying investments owned by the district are listed in "Specific Identification."

F. Specific Identification

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

Investment Type:	S & P Rating	Maturity	Reported Value	Fair Market Value
Cash in county	AAAf	393 days (avg.)	\$ 4,418,830	\$ 4,414,629
Certificates of deposit	N/A *			
Intervest Bank		4 months	\$ 121,484	\$ 121,484
American Exp Centennial Bank		11 months	98,000	98,248
PBI Bank		11 months	50,000	50,000
One West Bank		12 months	100,000	100,000
PBI Bank		15 months	60,545	60,545
World Financial Network Jumbo		15 months	100,000	100,610
World Foremost Bank		17 months	100,000	101,033
GE Capital		18 months	100,000	100,542
Everbank		20 months	209,816	209,816
GE Capital Bank		20 months	150,000	150,893
Pacific Merchantile		21 months	100,000	100,000
Bank of Wausau		24 months	112,601	112,601
World Foremost Bank		25 months	104,726	103,500
Ally Bank UT US		26 months	200,000	201,200
Goldman Sachs		26 months	200,000	200,796
Corporate bonds				
Arden Realty Inc	AA+	20 months	191,993	195,487
AT&T	A-	25 months	102,008	103,261
Wells Fargo	A+	53 months	199,257	188,316
Total Investments			\$ 2,300,430	\$ 2,298,332

* - All certificates of deposit are FDIC insured, up to the \$250,000 per bank account

NORTH COUNTY CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
 JUNE 30, 2013

G. Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2013, the District's bank balance of \$198,386 was insured.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Balance July 01, 2012	(Adjustments) / Additions	Balance June 30, 2013
Governmental Activities			
Capital assets not being depreciated			
Land	\$ 2,591,506	\$ -	\$ 2,591,506
Capital assets being depreciated			
Buildings & improvements	5,376,579	19,571	5,396,150
Furniture & equipment	579,060	(33,799)	545,261
Total Capital Assets Being Depreciated	5,955,639	(14,228)	5,941,411
Less Accumulated Depreciation			
Buildings & improvements	4,653,912	155,961	4,809,873
Furniture & equipment	517,101	15,048	532,149
Total Accumulated Depreciation	5,171,013	171,009	5,342,022
Governmental Activities			
Capital Assets, net	\$ 3,376,132	\$ (185,237)	\$ 3,190,895

NORTH COUNTY CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2013

NOTE 5 - INTERFUND TRANSACTIONS

Interfund Transfers Out	Interfund Transfers In		
	General Fund	Capital Outlay Fund	Total
General Fund	\$ -	\$ 190,827	\$ 190,827
Pre-Need Fund	227,840	-	227,840
Endowment Fund	41,935	-	41,935
Total Interfund Transfers	\$ 269,775	\$ 190,827	\$ 460,602

The Pre-Need Fund transferred to the General Fund for use of services in the amount of	\$ 227,840
The Endowment Fund transferred to the General Fund corpus earnings in the amount of	41,935
The General Fund transferred to the Capital Outlay Fund debt service payments in the amount of	190,827
Total	\$ 460,602

NOTE 6 - LONG-TERM DEBT

A. Long-Term Debt Summary

	Balance July 01, 2012	Issuance	Payments / Amortization	Balance June 30, 2013	Balance Due In One Year
Governmental Activities					
2008 Note Payable	\$ 1,746,330	\$ -	\$ 1,746,330	\$ -	\$ -
2013 Note Payable	-	2,067,306	-	2,067,306	57,207
Issuance costs	-	(80,000)	(476)	(79,524)	-
Compensated absences	20,229	-	2,313	17,916	-
Total	\$ 1,766,559	\$ 1,987,306	\$ 1,748,167	\$ 2,005,698	\$ 57,207

B. Notes Payable

On July 20, 2008, the District issued a note payable in the amount of \$2,015,000. The note financed a purchase of 67 acres of land adjacent to the Escondido cemetery location. On June 3, 2013, the District refinanced the note payable to lower the interest rate paid as well as finance an additional \$395,210 for purchase additional capital assets.

Issue Date	Maturity Date	Interest Rate	Original Issue	Notes Outstanding June 30, 2012	Issuance	Redeemed	Notes Outstanding June 30, 2013
July 20, 2008	July 20, 2027	4.75%	\$ 2,015,000	\$ 1,746,330	\$ -	\$ 1,746,330	\$ -
June 3, 2013	July 1, 2027	3.20%	2,067,306	-	2,067,306	-	2,067,306
				\$ 1,746,330	\$ 2,067,306	\$ 1,746,330	\$ 2,067,306

NORTH COUNTY CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2013

C. Debt Service Requirements to Maturity

The notes mature through 2028 as follows:

<u>Year Ending June 30,</u>	<u>2013 Note Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 57,207	\$ 38,222	\$ 95,429
2015	118,856	63,408	182,264
2016	125,284	59,533	184,817
2017	129,326	55,493	184,819
2018	133,495	51,321	184,816
2019 - 2023	734,924	189,174	924,098
2024 - 2028	768,214	62,755	830,969
	<u>\$ 2,067,306</u>	<u>\$ 519,906</u>	<u>\$ 2,587,212</u>

D. Compensated Absences

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2013, amounted to \$17,916.

NORTH COUNTY CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
 JUNE 30, 2013

NOTE 7 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Pre-Need Fund	Capital Outlay Fund	Endowment Fund	Total
Non-spendable					
Non-restricted					
Reserve for revolving cash	\$ 200	\$ -	\$ -	\$ -	\$ 200
Restricted, Endowment	-	-	-	2,768,543	2,768,543
Total Nonspendable	200	-	-	2,768,543	2,768,743
Spendable					
Committed					
Redevelopment successor agency payout	187,109	-	-	-	187,109
ERAF payback	70,000	-	-	-	70,000
Pre-need use	-	2,618,710	-	-	2,618,710
Debt service payment	-	-	95,429	-	95,429
Niche construction	-	-	400,000	-	400,000
Untransferred endowment earnings	-	-	-	466,111	466,111
Total Committed	257,109	2,618,710	495,429	466,111	3,837,359
Assigned					
Capital improvements	-	-	99,418	-	99,418
Unassigned	522,323	-	-	-	522,323
Total	\$ 779,632	\$ 2,618,710	\$ 594,847	\$ 3,234,654	\$ 7,227,843

NOTE 8 - EMPLOYEE RETIREMENT

A. Cafeteria Plan Arrangements

Effective July 1, 1992, the District offered its employees and Employee Health and Welfare (Premium only) Benefit Plan. In accordance with Internal Revenue Code Section 125, the plan, (which is available to all regular employees schedule to work 40 hours or more per week), permits the employees to choose between two types of medical insurance offered.

B. Retirement Contributions

Current year contributions to SEP-IRA were \$33,188. The District also matches contributions to FICA currently 7.65% of qualifying wages. The current year payments were \$37,782.

NORTH COUNTY CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2013

NOTE 9 - COMMITMENTS AND CONTINGENCIES

Litigation

The District is a “real party in interest” with regard to litigation brought by the cities of San Marcos, Chula Vista, and Escondido against the California Department of Finance, the Auditor-Controller of the County of San Diego, and California State Board of Equalization. Essentially this lawsuit has to do with how money from the successor agencies of the redevelopment agencies for the above mentioned cities’ got distributed to the member districts. There has been no settlement, but the District has committed the money received from the successor agencies in the General Fund balance, in the event there is a settlement against the District.

NOTE 10 - PARTICIPATION IN JOINT POWERS AUTHORITIES

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

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

During the year ended June 30, 2013, the District made payments of \$13,147 and \$24,737, for property and liability; and workers’ compensation, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

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NORTH COUNTY CEMETERY DISTRICT

GENERAL FUND - BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variances -
	Original	Final		Positive / (Negative) Final to Actual
REVENUES				
Taxes and assessments	\$ 635,000	\$ 635,000	\$ 924,740	\$ 289,740
Revenue from use of money and property	27,250	27,250	27,889	639
Charges for services	443,878	443,878	437,916	(5,962)
Other revenues	-	-	20,120	20,120
Total Revenues	1,106,128	1,106,128	1,410,665	304,537
EXPENDITURES				
Current:				
Salaries and benefits	644,000	644,000	623,105	20,895
Benefits	214,591	214,591	209,973	4,618
Materials and services	341,100	341,100	368,508	(27,408)
Capital outlay	5,000	5,000	8,320	(3,320)
Total Expenditures/Expenses	1,204,691	1,204,691	1,209,906	(5,215)
Excess (Deficiency) of Revenues				
Over Expenditures	(98,563)	(98,563)	200,759	299,322
OTHER FINANCING SOURCES/(USES)				
Transfers In	210,000	210,000	269,775	59,775
Transfers Out	-	-	(190,827)	(190,827)
Net Financing Sources (Uses)	210,000	210,000	78,948	(131,052)
NET CHANGE IN FUND BALANCE	111,437	111,437	279,707	168,270
Fund Balance - Beginning	520,132	520,132	520,132	
Fund Balance - Ending	\$ 631,569	\$ 631,569	\$ 799,839	\$ 168,270

NORTH COUNTY CEMETERY DISTRICT

PRE-NEED FUND - BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variances -
	Original	Final		Positive / (Negative) Final to Actual
REVENUES				
Revenue from use of money and property	\$ 33,000	\$ 33,000	\$ 12,964	\$ (20,036)
Charges for services	350,000	350,000	405,614	55,614
Total Revenues	383,000	383,000	418,578	35,578
EXPENDITURES / EXPENSES				
Current:				
Materials and services	-	-	3,141	(3,141)
Excess (Deficiency) of Revenues Over Expenditures / Expenses	383,000	383,000	415,437	32,437
OTHER FINANCING SOURCES/(USES) & SPECIAL ITEMS				
Transfers Out	(210,000)	(210,000)	(227,840)	(17,840)
NET CHANGE IN FUND BALANCE / CHANGE IN NET POSITION	173,000	173,000	187,597	14,597
Fund Balance / Net Position - Beginning	2,431,113	2,431,113	2,431,113	
Fund Balance/Net Position - Ending	\$ 2,604,113	\$ 2,604,113	\$ 2,618,710	\$ 14,597

OTHER INDEPENDENT AUDITORS' REPORTS

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INDEPENDENT AUDITOR’S 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
North County Cemetery District
Escondido, California

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of North County Cemetery District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise North County Cemetery District’s basic financial statements, and have issued my report thereon dated [insert date of report].

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered North County 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of North County Cemetery District’s internal control. Accordingly, I do not express an opinion on the effectiveness of North County 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 entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether North County Cemetery District's financial statements are free from material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

[Signature]

[DATE]