

**NORTH COUNTY
CEMETERY DISTRICT**

**ANNUAL FINANCIAL
REPORT**

JUNE 30, 2015

NORTH COUNTY CEMETERY DISTRICT

OF SAN DIEGO COUNTY

ESCONDIDO, CALIFORNIA

JUNE 30, 2015

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Steven Lochridge	Chair of the Board	January 2016
Thomas S. Knight	Vice Chair of the Board	January 2015
Sharon Disney	Trustee	January 2018
Marvin Douglas Hudson	Trustee	January 2017
Richard Hyde	Trustee	January 2017

ADMINISTRATION

Dennis Shepard	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
Escondido, 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, 2015, 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.

RT DENNIS
ACCOUNTANCY

Opinion

In my opinion, the financial statements referred to on the previous page 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, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis and budgetary comparison information on pages 5-11 and 35 - 36, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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.

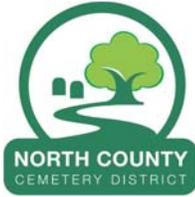
Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated, March 3, 2016 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.



March 3, 2016

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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, 2015. The F/Y 2014/2015 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.

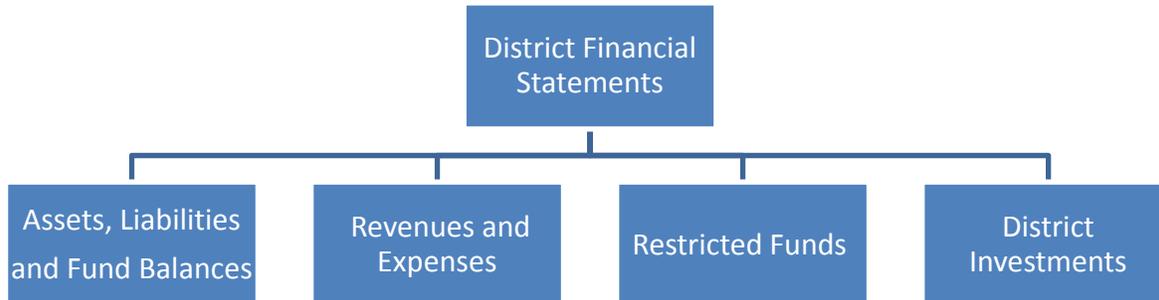
Please read this document in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

During the year the District's net position increased from \$8.8 million in the previous year to \$9.2 million. The growth came from excess revenue to expenses, though there was a decrease in revenue and an increase in expenses from the prior year.

NORTH COUNTY CEMETERY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued JUNE 30, 2015



- 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 - Restricted
- 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, 2015

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's net position increased slightly between fiscal years 2014 and 2015—to \$9.2 million. (See Table 1.)

Table 1

<i>(amounts in thousands)</i>	Governmental Activities		\$ Change	% Change
	2015	2014		
ASSETS				
Current assets	\$ 4,404	\$ 4,796	\$ (392)	-8%
Noncurrent assets, net	6,644	6,079	565	9%
Total Assets	11,048	10,875	173	2%
LIABILITIES				
Current liabilities	83	159	(76)	-48%
Non-current liabilities	1,783	1,917	(134)	-7%
Total Liabilities	1,866	2,076	(210)	-10%
NET POSITION				
Net investment in capital assets	1,579	1,151	428	37%
Restricted	6,080	5,724	356	6%
Unrestricted	1,523	1,924	(401)	-21%
Total Net Position	\$ 9,182	\$ 8,799	\$ 383	4%

The net position of the District's governmental activities increased four percent. This was due to some cash and investment increase (due to better performance) and niche rehabilitation. While liabilities decreased in 2014/15, mainly from three debt payments as opposed to a normal of two.

NORTH COUNTY CEMETERY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
 JUNE 30, 2015

Changes in Net Position

Total revenues, were essentially flat from F/Y 13-14, buoyed by better tax revenue, yet weakened by a decline in burial services during the year. The number of services declined by 12.4% over the last fiscal year. Interest on Investments for F/Y 2014-2015 has begun to improve over the past 5 year's performance. Total earnings were \$79,681 compared to \$60,902 in FY 2013-2104. The Property Tax distribution (without considering the money from the RDA dissolution), increased by 8.6% over the previous year. The amount from the RDA will decrease year over year. The total from property taxes increased by 3.5%.

Total Expenses, increased by 9.7%, (\$105,980) in F/Y 14-15 over F/Y 13-14. Wages (including changes for vacation liability balances) and Health Care costs increased by 7.3%, or \$63,465. Supplies & Services spending increased by \$30,654, or about 8.1 %. The District was able to manage all expenses including debt payments on the one loan that the District has, and still have a small excess revenue over expenses.

There was a salary increase percent of 1.5% as well as a slight increase of medical benefit of about 10% and staff increase. Increase activity of about 8%.

Table 2

<i>(amounts in thousands)</i>	Governmental Activities		\$ Change	% Change
	2015	2014		
REVENUES				
Property taxes	\$ 781	\$ 752	\$ 29	4%
Intergovernmental revenues	18	19	(1)	-5%
Charges for services	986	1,017	(31)	-3%
Miscellaneous	97	97	-	0%
Total Revenues	1,882	1,885	(3)	0%
EXPENSES				
Salaries and benefits	937	873	64	7%
Materials and services	410	379	31	8%
Other charges	152	161	(9)	-6%
Total Expenses	1,499	1,413	86	10%
Excess (deficiency)	\$ 383	\$ 472	\$ (89)	-19%

NORTH COUNTY CEMETERY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued JUNE 30, 2015

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

General Operating Fund:

- Revenues: Total Operating Income for the FY 14/15 was essentially the same as for FY 13/14. The FY 14/15 performance was \$508 less than FY12/13.
 - The Board of Trustees voted in July 2014 to keep the District fees for cemetery services the same as last year. The total revenue received from Cemetery Service Income decreased by \$508 or 0.04 %. The number of services in the District decreased by 50, or 12.4% from the level of activity in FY 12/13.
 - Property Tax revenue increased by \$38,188, or 6.4% over the F/Y 2013/2014 amount. In addition, the District received \$164,486 from payouts through the RDA dissolutions.
 - Investment yields during the F/Y 2014-2015 for the District's General Funds was only \$1,031.67. This performance was down slightly from F/Y 2014-2014, a small \$396.93. The average interest rate paid by the San Diego County Investment pool languished below 0.52% in 2014-2015. General Fund resources are kept in the County Treasury for liquidity reasons

- Expenditures: Total expenditures for the year were managed closely despite several large unplanned expenses. Expenses were 0.23% (\$3,132) under budgeted levels despite spending on the rebuild of a Toro Workman Utility vehicle; replacement of irrigation pump and motor at Oak Hill reservoir; replacement of well motors at both San Marcos and Oak Hill; higher than planned travel costs for attendance at Annual Conference in Oxnard, and CSDA Annual Conference in Monterey .

- Total general operating fund expenditures over revenues for the year was \$311,649. However \$196,423 was transferred into the Capital Outlay Fund in July of 2015.

Endowment Care Fund: At the end of the fiscal year the endowment care fund had increased by \$141,941 to a new level of \$3,518,942. This was a 4.2% increase of the total fund. The increase was due to active at-need and pre-need sales. \$125,545 was added to the fund through the sale of interment rights, and \$16,396, net, was added through investment returns.

Pre-need Fund: The pre-need fund was increased by \$232,779 or 8.2%, to a total of \$3,061,392. This was the result of the sale of \$413,527 of pre-need services and the receipt of \$36,873 in interest from investments of the fund. The general operating fund received \$216,062 from services that were used from the pre-need fund during the year. \$469 was sent to the state as sales tax.

Capital Outlay Fund: In the July 2014 Board of Trustees Meeting, the Trustees directed the FY 13/14 excess revenue over expenses, to be moved to the Capital Outlay Fund. The amount was \$161,113. Two Mortgage payments were made in this fiscal year, a total of \$182,264 in payments. \$338,095 was used for the Niche Rehabilitation Project at Oak Hill. The fund ended the year at \$605,324.16.

NORTH COUNTY CEMETERY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
 JUNE 30, 2015

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had a net increase (including additions and deductions) of \$247 thousand from last year.

Table 3

<i>(amounts in thousands)</i>	Governmental Activities		\$ Change	\$ Change
	2015	2014		
Land and construction in progress	\$ 2,934	\$ 2,596	\$ 338	13%
Buildings and equipment	5,998	6,017	(19)	0%
Accumulated depreciation	(5,524)	(5,452)	(72)	1%
Total Capital Assets	\$ 3,408	\$ 3,161	\$ 247	8%

District added the niche rehab to the construction in progress. Additionally, there were some equipment disposals.

Long-Term Liabilities

At year-end the District had a \$1.8 million note outstanding, a decrease of three percent over last year—as shown in Table 4. More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements.

Only new debt resulted from an increase in compensated absences.

Table 4

<i>(amounts in thousands)</i>	Governmental Activities		\$ Change	\$ Change
	2015	2014		
Note payable	\$ 1,830	\$ 2,010	\$ (180)	-9%
Compensated absences	17	26	(9)	-35%
Less current portion	(64)	(119)	55	-46%
Total Long-term Liabilities	\$ 1,783	\$ 1,917	\$ (134)	-7%

NORTH COUNTY CEMETERY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued JUNE 30, 2015

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The number of interments in the District declined significantly to only 352 in F/Y 2014/2015. The revenue from interments in F/Y 2015/2016 is anticipated to be greater than F/Y 2014/2015. A slight increase in the number of services to a total of 390 at the current fee schedule will result in a 4.6% increase in cemetery revenue. The overall fee schedule for service provided by North County Cemetery District will remain the same as 2014/2015. The property tax revenue for 2015/2016 is budgeted slightly more than the actual revenues from F/Y 2014/2015. Recent data on property sales, State Tax Revenue reports, and San Diego County Treasury reports indicate an improving trend for property tax revenues. However, tax revenues continue to be at risk due to the current State of California Budgeting process. Revenues from investments are expected to be only slightly better than F/Y 2014/15 as the economy, while growing slightly, does not offer much growth in conservative investments such as CD's and Bonds. Depressed interest rates are still the expectation for the next 2 to 3 years.

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 2014/2015 was on finishing the Niche repairs. With that complete, the focus will be on implementing a new Cemetery Management Software System, and increasing the number of interments in F/Y 2015/2016.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

NORTH COUNTY CEMETERY DISTRICT

GOVERNMENTAL FUNDS BALANCE SHEET AND STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Pre-Need Fund	Capital Projects Fund
ASSETS			
Cash and cash equivalents	\$ 453,857	\$ 1,456,840	\$ 605,325
Prepaid expenditures	30,260	-	-
Investments	-	1,604,552	-
Nondepreciable capital assets	-	-	-
Depreciable capital assets, net	-	-	-
Total Assets	\$ 484,117	\$ 3,061,392	\$ 605,325
LIABILITIES			
Accrued liabilities	\$ 18,938	\$ -	\$ -
Long-term liabilities, current portion	-	-	-
Long-term liabilities, non-current portion	-	-	-
Total Liabilities	18,938	-	-
FUND BALANCES / NET POSITION			
Fund balance			
Non-spendable	30,460	-	-
Spendable			
Restricted	-	3,061,392	-
Committed	-	-	605,325
Assigned	-	-	-
Unassigned	434,719	-	-
Net position			
Net investment in capital assets	-	-	-
Restricted	-	-	-
Unrestricted	-	-	-
Total Fund Balances / Net Position	465,179	3,061,392	605,325
Total Liabilities and Fund Balances / Net Position	\$ 484,117	\$ 3,061,392	\$ 605,325

The accompanying notes are an integral part of these financial statements

Endowment Fund	Total Governmental Funds	Adjustments (Note 2 A.)	Statement of Net Position
\$ 1,887,964	\$ 4,403,986	\$ -	\$ 4,403,986
-	30,260	(30,260)	-
1,630,978	3,235,530	-	3,235,530
-	-	2,934,291	2,934,291
-	-	474,610	474,610
<u>\$ 3,518,942</u>	<u>\$ 7,669,776</u>	<u>\$ 3,378,641</u>	<u>\$ 11,048,417</u>
\$ -	\$ 18,938	\$ -	\$ 18,938
-	-	63,636	63,636
-	-	1,782,891	1,782,891
<u>-</u>	<u>18,938</u>	<u>1,846,527</u>	<u>1,865,465</u>
3,018,420	3,048,880	(3,048,880)	-
-	3,061,392	(3,061,392)	-
-	605,325	(605,325)	-
500,522	500,522	(500,522)	-
-	434,719	(434,719)	-
-	-	1,579,306	1,579,306
-	-	6,079,812	6,079,812
-	-	1,523,834	1,523,834
<u>3,518,942</u>	<u>7,650,838</u>	<u>1,532,114</u>	<u>9,182,952</u>
<u>\$ 3,518,942</u>	<u>\$ 7,669,776</u>	<u>\$ 3,378,641</u>	<u>\$ 11,048,417</u>

NORTH COUNTY CEMETERY DISTRICT

GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
& STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Pre-Need Fund	Capital Projects Fund
REVENUES			
Property taxes	\$ 780,568	\$ -	\$ -
Intergovernmental revenues	17,702	-	-
Charges for services	447,247	413,527	-
Revenue from use of money	32,832	36,873	3,701
Miscellaneous	6,617	469	-
Total Revenues	1,284,966	450,869	3,701
EXPENDITURES			
Current			
Salaries	706,866	-	-
Benefits	238,339	-	-
Materials and supplies	94,057	-	-
Services	313,447	2,028	-
Depreciation	-	-	-
Capital outlay	-	-	338,071
Debt service			
Principal	180,498	-	-
Interest and other	63,408	-	-
Total Expenditures	1,596,615	2,028	338,071
Excess (Deficiency) of Revenues			
Over Expenditures	(311,649)	448,841	(334,370)
OTHER FINANCING SOURCES (USES)			
Transfers In	396,569	-	161,113
Transfers Out	(161,113)	(216,062)	(180,507)
Net Financing Sources (Uses)	235,456	(216,062)	(19,394)
NET CHANGE IN FUND BALANCE /			
NET POSITION	(76,193)	232,779	(353,764)
Fund Balance /			
Net Position - Beginning	541,372	2,828,613	959,089
Fund Balance / Net Position - Ending	\$ 465,179	\$ 3,061,392	\$ 605,325

The accompanying notes are an integral part of these financial statements

Endowment Fund	Total Governmental Funds	Adjustments (Note 2 B.)	Statement of Activities
\$ -	\$ 780,568	\$ -	\$ 780,568
-	17,702	-	17,702
125,545	986,319	-	986,319
16,396	89,802	-	89,802
-	7,086	-	7,086
141,941	1,881,477	-	1,881,477
-	706,866	(8,641)	698,225
-	238,339	-	238,339
-	94,057	-	94,057
-	315,475	-	315,475
-	-	90,216	90,216
-	338,071	(338,071)	-
-	180,498	(180,498)	-
-	63,408	(1,902)	61,506
-	1,936,714	(438,896)	1,497,818
141,941	(55,237)	438,896	383,659
-	557,682	(557,682)	-
-	(557,682)	557,682	-
-	-	-	-
141,941	(55,237)	438,896	383,659
3,377,001	7,706,075	1,093,218	8,799,293
\$ 3,518,942	\$ 7,650,838	\$ 1,532,114	\$ 9,182,952

NORTH COUNTY CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1 - A. Financial Reporting Entity

The North County Cemetery District ("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.

1 - B. 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).

1 - C. Basis of Presentation

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

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

NORTH COUNTY CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued JUNE 30, 2015

Fund Financial Statements. The fund financial statements provide information about the District's funds.

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

Capital Outlay 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 (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.

1 - D. Basis of Accounting

Government-Wide Financial Statements. The government-wide financial statements are reported using the economic resources measurement focus. The government-wide, proprietary, and fiduciary fund 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 asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities result from special revenue funds and the restrictions on their net asset use.

NORTH COUNTY CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued JUNE 30, 2015

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 60 days of fiscal year-end.

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

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

1 - E. Assets, Liabilities, and Net Position

Deposits and Investments

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

NORTH COUNTY CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2015

Prepaid Items

The debt service payment for interest reflect costs applicable to future accounting periods and is recorded as a prepaid item.

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.

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. Notes payable are recognized as liabilities in the governmental fund financial statements when due.

Fund Balance

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

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

NORTH COUNTY CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued JUNE 30, 2015

Restricted - The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation. These are the same restrictions used to determine restricted net position as reported in the government-wide, proprietary fund, and fiduciary trust fund statements.

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.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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, 2015. 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 \$6,079,812 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.

NORTH COUNTY CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued JUNE 30, 2015

Estimates

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

Budgetary Data

The budgetary process is prescribed by provisions of the California Health and Safety Code, § 9070 to 9079 et seq., and requires the governing board to hold a public hearing and adopt an operating budget on or before August 30 of each year. The District governing board satisfied these requirements.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted.

1 - F. New Accounting Pronouncements

In February of 2015, the GASB issued Statement No. 72, Fair Value Measurement and Application. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. Earlier application is encouraged.

In June of 2015, the GASB issued the following Statements:

- ❖ No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.
- ❖ No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.
- ❖ No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.
- ❖ No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.

These have various effective dates, ranging from reporting periods beginning after June 15, 2015 to fiscal years beginning after June 15, 2017. Earlier application is encouraged for all the above listed statements.

NORTH COUNTY CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
 JUNE 30, 2015

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

2 - A. Governmental Funds Balance Sheet and Statement of Net Assets

Total Fund Balance - Governmental Funds \$ 7,650,838

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	8,932,555	
	Accumulated depreciation	(5,523,654)	3,408,901

Prepaid debt service:

In governmental funds, debt service costs are recognized as prepaid expenditures if paid prior to the period they are incurred. In the governmental-wide statements, interest is recognized when due. Prepaid interest included in net long-term debt on the statement of net position is:

(30,260)

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:

	Note payable	1,829,595	
	Compensated absences	16,932	(1,846,527)

Total Net Position - Governmental Activities \$ 9,182,952

NORTH COUNTY CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
 JUNE 30, 2015

2 - B. Governmental Funds Operating Statements and the Statement of Activities

Net Change in Fund Balances - Governmental Funds \$ (55,237)

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:	338,071	
	Depreciation expense:	(90,216)	247,855

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: 180,498

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: 1,902

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: 8,641

Change in net position of Governmental Activities \$ 383,659

NORTH COUNTY CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2015

NOTE 3 - DEPOSITS AND INVESTMENTS

3 - A. Summary of Deposits and Investments

	Governmental Activities
Cash on hand	\$ 200
Deposits in financial institutions	223,012
Cash in County	4,180,774
<u>Total cash and cash equivalents</u>	<u>4,403,986</u>
Investments	3,235,530
Total	\$ 7,639,516

3 - B. Policies and Practices

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

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

3 - C. General Authorizations

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 on the next page identifies examples of the investment types permitted in the investment policy.

NORTH COUNTY CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
 JUNE 30, 2015

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%E	None
Commercial Paper— Select Agencies	270 days	25% of the agency's money	"A-1" to "A"
Commercial Paper— Other Agencies	270 days	40% of the agency's money	"A-1" to "A"
Negotiable Certificates of Deposit	5 years	30%	None
Placement Service Deposits	5 years	30%	None
Placement Service Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements and Securities Lending Agreements	92 days	20% of the base value of the portfolio	None
Medium-Term Notes	5 years	30%	"A"
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%	"A"
Bank/Time Deposits	5 years	None	None
County Pooled Investment Funds	N/A	None	None
Joint Powers Authority Pool	N/A	None	Multiple
Local Agency Investment Fund (LAIF)	N/A	None	None
Voluntary Investment Program Fund	N/A	None	None

3 - D. Interest Rate Risk

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

3 - E. Credit Risk

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

3 - F. Specific Identification

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

NORTH COUNTY CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
 JUNE 30, 2015

Investment Type:	S & P Rating	Maturity (Months)	Percent of Total	Reported Value	Fair Market Value
Cash in county	AAAF / S1	5 average	56%	\$ 4,180,774	\$ 4,182,918
Investments:					
Mutal funds	NA	0	4%	\$ 326,094	\$ 326,094
Corporate bonds:					
AT&T Inc ¹	BBB+	20	3%	200,640	200,640
Goldman Sachs Group	A+	31	1%	101,483	101,483
Total corporate bonds			4%	302,123	302,123
Foreign bonds, BNP Paribas	A+	21	1%	97,892	97,892
Notes:					
AT&T Inc ¹	BBB+	2	1%	67,146	67,146
Freddie Mac	AA+	40 - 42	2%	184,046	184,046
Wells Fargo Co	A+	29	2%	181,292	181,292
Total notes			6%	432,484	432,484
Certificates of deposit ("CD"):					
FDIC					
Ally Bank UT US		2	3%	200,290	200,290
American Express		41 - 42	3%	206,074	206,074
Bank of India		5	1%	105,096	105,096
Bank of N Carolina		36	1%	99,632	99,632
Bank of Wausau / Nicolet National Bank		0	2%	115,355	115,355
Beneficial Mutal		46	3%	198,948	198,948
Comenity Bank		27	1%	99,776	99,776
Discover Bank		36	3%	200,116	200,116
Everbank		44	3%	217,190	217,190
Goldman Sachs Bank NY US		2	3%	200,258	200,258
Intervest National Bank		16	2%	123,534	123,534
One West Bank / CIT		1	1%	100,000	100,000
PBI Bank		11 - 15	1%	110,545	110,545
Worlds Foremost Bank		1	1%	100,123	100,123
Total CDs			28%	2,076,937	2,076,937
Total investments			44%	\$ 3,235,530	\$ 3,235,530
Total			100%	\$ 7,416,304	\$ 7,418,448

¹ - Investments in violation of the General Authorization due to having a lower quality risk than allowable.

NORTH COUNTY CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
 JUNE 30, 2015

3 - G. Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2015, the District's bank balance of \$250,886 was insured, but \$5,457 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Balance July 01, 2014	Additions	Deductions	Balance June 30, 2015
Land	\$ 2,591,506	\$ -	\$ -	\$ 2,591,506
Construction in progress	4,714	338,071	-	342,785
Non-Depreciable				
Capital Assets	\$ 2,596,220	\$ 338,071	\$ -	\$ 2,934,291
Capital assets being depreciated				
Buildings & improvements	5,415,910	-	-	5,415,910
Furniture & equipment	600,937	42	18,625	582,354
Total Capital Assets				
Being Depreciated	6,016,847	42	18,625	5,998,264
Less Accumulated Depreciation				
Buildings & improvements	4,906,526	80,274	-	4,986,800
Furniture & equipment	545,537	9,942	18,625	536,854
Total Accumulated Depreciation				
	5,452,063	90,216	18,625	5,523,654
Depreciable Capital Assets, net	\$ 564,784	\$ (90,174)	\$ -	\$ 474,610
Total Capital Assets, net				
	\$ 3,161,004	\$ 247,897	\$ -	\$ 3,408,901

NORTH COUNTY CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
 JUNE 30, 2015

NOTE 5 - INTERFUND TRANSFERS

Transfer To Other Funds	Interfund Transfers In		
	General Fund	Capital Projects Fund	Total
General Fund	\$ -	\$ 161,113	\$ 161,113
Pre-Need Fund	216,062	-	216,062
Capital Outlay Fund	180,507	-	180,507
Total Interfund Transfers Out	\$ 396,569	\$ 161,113	\$ 557,682

General Fund Transferred out to Capital Projects Fund of prior year excess of revenue over expenditures in the amount of:	\$ 161,113
Capital Projects Fund transferred to the General Fund the debt service payment:	180,507
Pre-Need Transferred to the General Fund at need money for services in the amount of:	216,062
Total	\$ 557,682

NOTE 6 - ACCRUED LIABILITIES

Accrued liabilities at June 30, 2015, consisted of the following:

	General Fund
Services	\$ 8,217
Supplies	10,721
Total	\$ 18,938

NORTH COUNTY CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
 JUNE 30, 2015

NOTE 7 - LONG-TERM LIABILITIES

7 - A. Long-Term Liabilities Summary

	Balance July 01, 2014	Deductions	Balance June 30, 2015	Balance Due In One Year	Long-Term Balance
Note payable	\$ 2,010,099	\$ 180,504	\$ 1,829,595	\$ 63,636	\$ 1,765,959
Compensated absences	25,525	8,593	16,932	-	16,932
Total	\$ 2,035,624	\$ 189,097	\$ 1,846,527	\$ 63,636	\$ 1,782,891

7 - B. Note Payable

On June 3, 2013, the District refinanced the note payable, which was originally issued to finance a purchase of 67 acres of land adjacent to the Escondido cemetery location, and was refinanced to lower the interest rate paid as well as finance an additional \$395,210 for purchase additional capital assets.

The annual requirements to amortize the note payable outstanding as of June 30, 2015, are as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Note Outstanding June 30, 2014	Redeemed	Note Outstanding June 30, 2015
June 3, 2013	July 1, 2027	3.20%	\$ 2,067,306	\$ 2,010,099	\$ 180,504	\$ 1,829,595

7 - C. Debt Service Requirements to Maturity - Note

The bonds mature through 2028 as follows:

Year Ending June 30,	Principal	Interest	Total
2016	\$ 63,636	\$ 29,274	\$ 92,910
2017	129,326	55,493	184,819
2018	133,495	51,321	184,816
2019	137,804	47,015	184,819
2020	142,248	42,571	184,819
2021 - 2025	783,103	141,000	924,103
2026 - 2028	439,983	21,342	461,325
	\$ 1,829,595	\$ 388,016	\$ 2,217,611

7 - D. Compensated Absences

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2015, amounted to \$16,932.

NORTH COUNTY CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
 JUNE 30, 2015

NOTE 8 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Pre-Need Fund	Capital Projects Fund	Endowment Fund	Total Govt. Funds
Non-spendable					
Non-restricted					
Reserve for revolving cash	\$ 200	\$ -	\$ -	\$ -	\$ 200
Reserve for prepaid expenditures	30,260	-	-	-	30,260
Restricted, endowment corpus	-	-	-	3,018,420	3,018,420
Total Nonspendable	30,460	-	-	3,018,420	3,048,880
Spendable					
Restricted, Pre-need	-	3,061,392	-	-	3,061,392
Committed					
Niche rehabilitation	-	-	52,578	-	52,578
Cemetery developmental funds	-	-	552,747	-	552,747
Total Committed	-	-	605,325	-	605,325
Assigned, Permanent fund	-	-	-	500,522	500,522
Unassigned	434,719	-	-	-	434,719
Total	\$ 465,179	\$ 3,061,392	\$ 605,325	\$ 3,518,942	\$ 7,650,838

The District's Minimum Fund Balance Policy requires an identification of funds for Economic Uncertainties, consisting of unassigned amounts, equal to no less than six months of general fund operating expenditures. These funds can be a combination of UNASSIGNED and COMMITTED FUNDS that are available for the fiscal year.

NORTH COUNTY CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2015

NOTE 9 – EMPLOYEE RETIREMENT SYSTEMS

9 - 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.

9 - B. Retirement Contributions

Current year contributions to SEP-IRA were \$36,899. The District also matches contributions to FICA currently 7.65% of qualifying wages. The current year payments were \$43,348.

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, 2015, the District made payments of \$12,994 and \$27,643, for property and liability; and workers' compensation, respectively.

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REQUIRED SUPPLEMENTARY INFORMATION

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NORTH COUNTY CEMETERY DISTRICT

GENERAL FUND - BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>			Variances - Positive / (Negative) Final to Actual
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Property taxes	\$ 754,000	\$ 754,000	\$ 780,568	\$ 26,568
Intergovernmental revenues	10,000	10,000	17,702	7,702
Charges for services	499,900	499,900	447,247	(52,653)
Revenue from use of money	35,000	35,000	32,832	(2,168)
Miscellaneous	4,300	4,300	6,617	2,317
Total Revenues	1,303,200	1,303,200	1,284,966	(18,234)
EXPENDITURES				
Current				
Salaries	718,000	718,000	706,866	11,134
Benefits	240,110	240,110	238,339	1,771
Materials and supplies	69,700	69,700	94,057	(24,357)
Services	316,360	316,360	313,447	2,913
Capital outlay	6,000	6,000	-	6,000
Debt service				
Principal	123,294	123,294	180,498	(57,204)
Interest and other	61,506	61,506	63,408	(1,902)
Total Expenditures	1,534,970	1,534,970	1,596,615	(61,645)
Excess (Deficiency) of Revenues Over Expenditures	(231,770)	(231,770)	(311,649)	(79,879)
Other Financing Sources (Uses):				
Transfers In	244,000	244,000	396,569	152,569
Transfers Out	-	-	(161,113)	(161,113)
Net Financing Sources (Uses)	244,000	244,000	235,456	(8,544)
NET CHANGE IN FUND BALANCE	12,230	12,230	(76,193)	(88,423)
Fund Balance - Beginning	541,372	541,372	541,372	
Fund Balance - Ending	\$ 553,602	\$ 553,602	\$ 465,179	\$ (88,423)

NORTH COUNTY CEMETERY DISTRICT

PRE-NEED FUND - BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>			Variances - Positive / (Negative) Final to Actual
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Charges for services	\$ 400,000	\$ 400,000	\$ 413,527	\$ 13,527
Revenue from use of money	16,000	160,000	36,873	(123,127)
Miscellaneous	-	-	469	469
Total Revenues	416,000	560,000	450,869	(109,131)
EXPENDITURES				
Current				
Services	2,000	2,000	2,028	(28)
Excess (Deficiency) of Revenues				
Over Expenditures	414,000	558,000	448,841	(109,159)
Other Financing Uses:				
Transfers Out	210,000	210,000	(216,062)	(426,062)
NET CHANGE IN FUND BALANCE	624,000	768,000	232,779	(535,221)
Fund Balance - Beginning	2,828,613	2,828,613	2,828,613	
Fund Balance - Ending	\$ 3,452,613	\$ 3,596,613	\$ 3,061,392	\$ (535,221)

OTHER INDEPENDENT AUDITOR'S REPORT

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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 and each major fund of North County Cemetery District as of and for the year ended June 30, 2015, 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 March 3, 2016.

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.

RT DENNIS
ACCOUNTANCY

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.

A handwritten signature in black ink that reads "R. J. Dennis Accountancy". The signature is written in a cursive style and is followed by a large, decorative flourish that loops under the name.

March 3, 2016

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