

NORTH COUNTY CEMETERY DISTRICT
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
For the Fiscal Year Ended
June 30, 2026
(With Comparative Amounts as of June 30, 2025)

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NORTH COUNTY CEMETERY DISTRICT

For the Fiscal Year Ended June 30, 2026

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Financial Section



INDEPENDENT AUDITORS' REPORT

Board of Trustees
North County Cemetery District
Escondido, California

Opinion

We have audited the accompanying financial statements of the governmental activities and each major fund of the North County Cemetery District (District) as of and for the fiscal year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of June 30, 2026, and the respective changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We

are required to be independent of the District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As described in Notes 1 to the financial statements, as of July 1, 2025, the District adopted new accounting guidance, GASB Statement No. 103, Financial Reporting Model Improvements, Statement No. 104, Disclosure of Certain Capital Assets and Statement No. 105, Subsequent Events. Our opinion is not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

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

Responsibilities of Management for the Financial Statements (continued)

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

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

Prior-Year Comparative Information

The financial statements include partial prior-year comparative information. Such information does not include sufficient detail to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2025, from which such partial information was derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a separate report dated September 28, 2026, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Murrieta, California
September 28, 2026

NORTH COUNTY CEMETERY DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2026

This discussion and analysis of the North County Cemetery District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2026. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

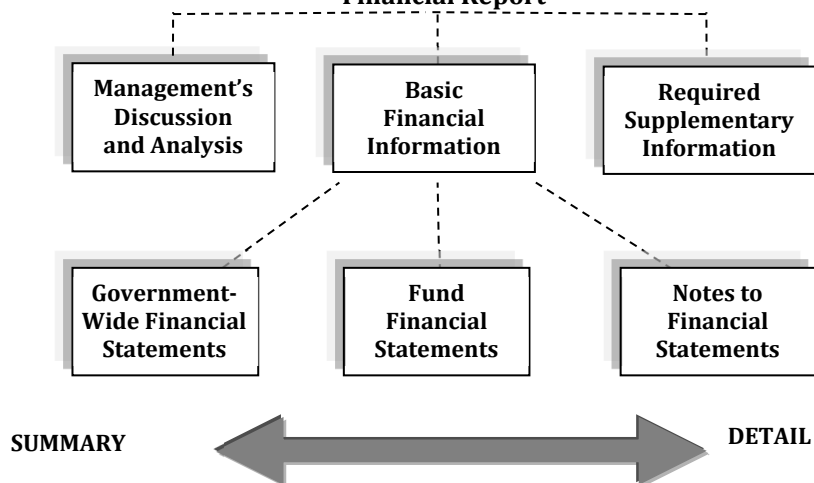
This annual report consists of three parts – management discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- *Government-wide financial statements* provide both short-term and long-term information about the District's overall financial status.
- *Fund financial statements* focus on individual parts of the District, reporting the District's operations in more detail than the Government-wide statements.
 - The *governmental funds* statements tell how basic services, like interment services, were financed in the short term as well as what remains for future spending.

(The District has elected to report these financial statements in a combined format.)

Figure A-1. Organization of the North County Cemetery District's Annual Financial Report

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.



NORTH COUNTY CEMETERY DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2026

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2. Major Features of the Government-wide and Fund Financial Statements

Type of Statements	Government-wide	Governmental Fund
<i>Scope</i>	Entire District	The activities of the District that are not proprietary or fiduciary
<i>Required financial statements</i>	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures & Changes in Fund Balances
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter

The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

NORTH COUNTY CEMETERY DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2026

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Government-wide Statements

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

The two Government-wide statements report the District's net position and how it has changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health, or *position*.

- Over time, increases and decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's demographics and the condition of buildings and other facilities.
- In the Government-wide financial statements, the District's activities are categorized as *Governmental Activities*. Most of the District's basic services are included here, such as cemetery interment and administration. State and local programs finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by State law and by grantor requirements.

The District has four funds as follows:

General Fund
Special Revenue – Pre-Need Fund
Capital Projects Fund
Permanent Fund – Endowment Fund

Combined Reporting

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

NORTH COUNTY CEMETERY DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2026

FINANCIAL SUMMARY

- The District's net position increased by \$1,240,398, or 5.92%, from \$20,947,660 to \$22,188,058 during fiscal year 2026.
- Total governmental fund balances increased by \$404,906, from \$17,235,739 to \$17,640,645 during fiscal year 2026.
- The General Fund reported an increase in fund balance of \$127,690, ending the fiscal year with a fund balance of \$1,749,943.
- Program revenues increased by \$219,954, or 7.74%, primarily due to higher interment space sales, interment services, and endowment care fees.
- Total expenses increased by \$413,756, or 11.50%, primarily due to higher salaries and wages, employee benefits, and materials and services costs.
- The District invested \$864,387 in capital asset acquisitions during fiscal year 2026.
- Net investment in capital assets increased by \$874,818 as capital asset additions exceeded current-year depreciation expense.
- The Preneed Fund and Endowment Care Permanent Fund increased by \$320,593 and \$597,247, respectively, reflecting growth in resources restricted for future cemetery services and perpetual care activities.
- Property tax revenues increased by \$54,754, or 4.80%, compared to the prior year.

DETAILED ANALYSES

Analysis of Net Position

The net position of the District increased by \$1,240,398, or 5.92% during the fiscal year. (See Tables A-1 and A-2).

Table A-1: Condensed Statement of Net Position

	<u>June 30, 2026</u>	<u>June 30, 2025</u>	<u>Change</u>
Assets:			
Current assets	\$ 3,612,568	\$ 4,039,310	\$ (426,742)
Restricted assets	14,261,630	13,343,790	917,840
Capital assets, net	<u>4,820,832</u>	<u>4,120,844</u>	<u>699,988</u>
Total assets	<u>22,695,030</u>	<u>21,503,944</u>	<u>1,191,086</u>
Liabilities:			
Current liabilities	370,263	261,587	108,676
Non-current liabilities	<u>136,709</u>	<u>294,697</u>	<u>(157,988)</u>
Total liabilities	<u>506,972</u>	<u>556,284</u>	<u>(49,312)</u>
Net position:			
Net investment in capital assets	4,640,362	3,765,544	874,818
Restricted	14,261,630	13,343,790	917,840
Unrestricted	<u>3,286,066</u>	<u>3,838,326</u>	<u>(552,260)</u>
Total net position	<u>\$ 22,188,058</u>	<u>\$ 20,947,660</u>	<u>\$ 1,240,398</u>

NORTH COUNTY CEMETERY DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2026

DETAILED ANALYSES (continued)

Analysis of Net Position (continued)

Total net position increased by \$1,240,398 during fiscal year 2026, primarily due to higher revenues from burial rights sales, pre-need services, and endowment fees, which exceeded increases in operating expenses.

At June 30, 2026, unrestricted net position totaled \$3,286,066 and represents resources available to meet the District's ongoing obligations. Unrestricted net position decreased by \$552,260 from the prior year as resources were used to fund approximately \$864,387 of capital asset acquisitions during the fiscal year. Net investment in capital assets increased by \$874,818 during the fiscal year, primarily because capital asset additions exceeded current-year depreciation expense. Restricted net position increased by \$917,840 due to growth in resources held for pre-need services and endowment care activities resulting from higher pre-need service revenue and endowment fees received during the fiscal year.

Analysis of Revenues and Expenses

Table A-2: Condensed Statement of Activities

	<u>June 30, 2026</u>	<u>June 30, 2025</u>	<u>Change</u>
Program revenues	\$ 3,063,075	\$ 2,843,121	\$ 219,954
Expenses	<u>(4,011,847)</u>	<u>(3,598,091)</u>	<u>(413,756)</u>
Net program expense	(948,772)	(754,970)	(193,802)
General revenues	<u>2,189,170</u>	<u>2,340,847</u>	<u>(151,677)</u>
Change in net position	1,240,398	1,585,877	(345,479)
Net position:			
Beginning of year	<u>20,947,660</u>	<u>19,361,783</u>	<u>1,585,877</u>
End of year	<u>\$ 22,188,058</u>	<u>\$ 20,947,660</u>	<u>\$ 1,240,398</u>

During fiscal year 2026, the District's net position increased by \$1,240,398. Program revenues increased by \$219,954, or 7.74% primarily due to higher revenues from interment space sales, interment services, other cemetery-related sales, and endowment care fees. The combined increase in program revenues and general revenues was sufficient to offset higher operating costs and resulted in an increase in net position for the fiscal year.

Table A-3: Total Revenues

	<u>June 30, 2026</u>	<u>June 30, 2025</u>	<u>Increase (Decrease)</u>
Program revenues:			
Charges for services – interment services	\$ 2,687,085	\$ 2,490,933	\$ 196,152
Endowment care fees	<u>375,990</u>	<u>352,188</u>	<u>23,802</u>
Total program revenues	<u>3,063,075</u>	<u>2,843,121</u>	<u>219,954</u>
General revenues:			
Property taxes	1,196,403	1,141,649	54,754
Redevelopment taxes	411,502	414,885	(3,383)
Investment earnings	<u>581,265</u>	<u>784,313</u>	<u>(203,048)</u>
Total general revenues	<u>2,189,170</u>	<u>2,340,847</u>	<u>(151,677)</u>
Total revenues	<u>\$ 5,252,245</u>	<u>\$ 5,183,968</u>	<u>\$ 68,277</u>

NORTH COUNTY CEMETERY DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2026

DETAILED ANALYSES (continued)

Analysis of Revenues and Expenses (continued)

Program revenues increased by \$219,954, or 7.74%, primarily due to higher revenues from interment space sales, interment services, other cemetery-related sales, and endowment care fees. General revenues decreased by \$151,677 from the prior year, primarily due to lower investment earnings. Property tax revenues increased by \$54,754 and partially offset the decline in investment earnings

Table A-4: Total Expenses

	<u>June 30, 2026</u>	<u>June 30, 2025</u>	<u>Increase (Decrease)</u>
Expenses:			
Salaries and wages	\$ 1,925,102	\$ 1,709,437	\$ 215,665
Employee benefits	476,996	374,146	102,850
Materials and services	1,435,379	1,369,339	66,040
Interest expense	9,971	15,434	(5,463)
Depreciation expense	164,399	129,735	34,664
Total expenses	<u>\$ 4,011,847</u>	<u>\$ 3,598,091</u>	<u>\$ 413,756</u>

Total expenses increased by \$413,756, or 11.50%, from the prior year. The increase was primarily attributable to higher salaries and wages, employee benefits, and materials and services costs associated with District operations. Salaries and wages increased by \$215,665, employee benefits increased by \$102,850, and materials and services increased by \$66,040 compared to the prior year. General revenues totaled \$2,189,170 and continued to be a significant funding source for governmental activities.

Major Fund Discussion:

General Fund

The General Fund is the District's primary operating fund. During fiscal year 2026, the General Fund's fund balance increased by \$127,690, from \$1,622,253 at June 30, 2025, to \$1,749,943 at June 30, 2026. General Fund revenues increased by \$600,709, primarily due to increases in interment space sales and services and property tax revenues. Expenditures increased by \$447,521, reflecting higher personnel costs and increased materials and services expenditures associated with District operations. Transfers in from the Preneed Fund totaled \$449,483 during fiscal year 2026, compared to \$744,204 in fiscal year 2025. Despite the reduction in transfers, revenues and other financing sources were sufficient to increase fund balance during the year.

Preneed Fund

The Preneed Fund accounts for resources received in advance of providing future cemetery services. The fund balance increased by \$320,593 during fiscal year 2026, from \$7,084,690 to \$7,405,283. Total revenues declined from \$1,233,010 in fiscal year 2025 to \$770,076 in fiscal year 2026, primarily due to a decrease in preneed sales activity. Transfers out to the General Fund decreased from \$1,779,689 in fiscal year 2025 to \$449,483 in fiscal year 2026 as fewer preneed interments were recognized during the year. Despite the decline in revenues, revenues exceeded transfers out, resulting in an increase in the fund balance. At June 30, 2026, the fund reported a restricted fund balance of \$7,405,283.

NORTH COUNTY CEMETERY DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2026

DETAILED ANALYSES (continued)

Major Fund Discussion: (continued)

Capital Projects Fund

The Capital Projects Fund accounts for the financial resources used for capital improvements and equipment acquisitions. Fund balance decreased by \$640,624 during fiscal year 2026, from \$2,269,696 to \$1,629,072. Capital project revenues remained relatively stable at \$484,241 in fiscal year 2026 compared to \$482,781 in fiscal year 2025. Expenditures increased significantly from \$751,045 in fiscal year 2025 to \$1,124,865 in fiscal year 2026, primarily due to capital outlay expenditures of \$864,387 and debt service principal payments of \$174,830. As a result of these capital investments, expenditures exceeded revenues, resulting in a decrease in fund balance.

Endowment Care Permanent Fund

The Endowment Care Permanent Fund accounts for resources that are legally restricted for the perpetual care and maintenance of cemetery grounds. Fund balance increased by \$597,247 during fiscal year 2026, from \$6,259,100 to \$6,856,347. Endowment care revenues decreased modestly from \$668,505 in fiscal year 2025 to \$597,247 in fiscal year 2026, reflecting lower investment earnings partially offset by increased endowment care fees. Endowment care fees increased from \$352,188 in fiscal year 2025 to \$375,990 in fiscal year 2026, while investment earnings decreased from \$316,317 to \$221,257. No expenditures were incurred directly within the Permanent Fund, therefore all current year revenues contributed to the increase in fund balance. The fund continues to provide a significant source of restricted resources for the long-term maintenance and preservation of the District's cemetery facilities.

BUDGETARY HIGHLIGHTS

Actual revenues exceeded the final budget by approximately \$102,887, or 3.12%, during fiscal year 2026. The favorable variance was primarily attributable to interment space sales and interment service revenues that exceeded budget by \$484,757 as demand for burial rights and related cemetery services was stronger than anticipated when the budget was adopted. This positive variance was partially offset by investment earnings, which were \$419,773 below budget due to lower-than-anticipated investment yields during the fiscal year.

Actual expenditures exceeded the final budget by \$24,680, or less than 1 percent. Materials and services expenditures exceeded budget by \$91,542 due primarily to inflationary increases in the cost of goods and services purchased from external vendors. Salaries and wages and employee benefits were below budget collectively, which partially offset the unfavorable materials and services variance.

Transfers into the General Fund exceeded budget by \$49,483 as the number of preneed interments recognized during the fiscal year exceeded expectations. As a result, transfers from the Preneed Fund were greater than originally anticipated. Overall, the combination of favorable operating revenues and higher transfers resulted in a positive change in General Fund balance of \$127,690 compared to a budgeted breakeven result.

NORTH COUNTY CEMETERY DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2026

SIGNIFICANT CAPITAL ASSET AND LONG-TERM FINANCING ACTIVITY

Table A-5: Capital Assets at Year End, Net of Depreciation

	<u>Balance</u> <u>June 30, 2026</u>	<u>Balance</u> <u>June 30, 2025</u>
Capital assets:		
Non-depreciable assets	\$ 2,753,124	\$ 2,666,291
Depreciable assets	8,349,029	7,776,179
Accumulated depreciation	<u>(6,281,321)</u>	<u>(6,321,626)</u>
Total capital assets, net	<u><u>\$ 4,820,832</u></u>	<u><u>\$ 4,120,844</u></u>

Capital Assets

At June 30, 2026, the District's net capital assets totaled \$4,820,832, an increase of \$699,988 from the prior year. During the fiscal year, the District recorded net capital asset additions of \$864,387, consisting primarily of building and site improvements, equipment acquisitions, and construction-in-progress activity. Projects totaling \$54,375 were completed and transferred from construction-in-progress to buildings and site improvements during the year. After recognizing depreciation expense of \$164,399 and equipment disposals of \$204,704, net capital assets increased as the District continued to invest in facilities, infrastructure, and equipment necessary to support cemetery operations. (More detailed information about capital assets can be found in Note 4 to the financial statements).

Table A-6: Outstanding Debt

	<u>Balance</u> <u>June 30, 2026</u>	<u>Balance</u> <u>June 30, 2025</u>
Long-term debt:		
Loan payable	<u>\$ 180,470</u>	<u>\$ 355,300</u>
Total long-term debt	<u><u>\$ 180,470</u></u>	<u><u>\$ 355,300</u></u>

Changes in Outstanding Debt

During fiscal year 2026, the District reduced its outstanding loan balance by \$174,830, decreasing total long-term debt from \$355,300 at June 30, 2025, to \$180,470 at June 30, 2026. See Note 6 for additional information regarding outstanding debt.

CURRENT KNOWN FACTS, DECISIONS, OR CONDITIONS

Management is not aware of any currently known facts, decisions, or conditions that are expected to have a significant effect on the District's financial position or results of operations. Management continues to monitor trends in interment activity, property tax revenues, investment market performance, and construction costs that may affect future operating results. At June 30, 2026, management does not anticipate any significant changes to the District's services, operations, or capital financing plans.

NORTH COUNTY CEMETERY DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2026

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the District Manager – 2640 Glenridge Road, Escondido, CA 92027 – (760) 745-1781.

NORTH COUNTY CEMETERY DISTRICT*Statement of Net Position**June 30, 2026**(With Comparative Information as of June 30, 2025)*

<u>ASSETS</u>	<u>2026</u>	<u>2025</u>
Current assets:		
Cash and investments (note 2)	\$ 3,584,389	\$ 4,011,328
Accrued interest receivable	23,843	21,736
Property taxes receivable	4,336	6,246
Total current assets	3,612,568	4,039,310
Non-current assets:		
Restricted:		
Cash and investments (note 2 and 3)	14,140,091	13,238,725
Accrued interest receivable (note 3)	72,398	55,924
Accounts receivable (note 3)	49,141	49,141
Capital assets – not being depreciated (note 4)	2,753,124	2,666,291
Capital assets, net – being depreciated (note 4)	2,067,708	1,454,553
Total non-current assets	19,082,462	17,464,634
Total assets	22,695,030	21,503,944
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable and accrued expenses	233,553	147,361
Long-term liabilities – due in one year:		
Compensated absences (note 5)	46,475	26,811
Loan payable (note 6)	90,235	87,415
Total current liabilities	370,263	261,587
Noncurrent liabilities:		
Long-term liabilities – due in more than one year:		
Compensated absences (note 5)	46,474	26,812
Loan payable (note 6)	90,235	267,885
Total noncurrent liabilities	136,709	294,697
Total liabilities	506,972	556,284
<u>NET POSITION</u>		
Net investment in capital assets (note 7)	4,640,362	3,765,544
Restricted (note 3)	14,261,630	13,343,790
Unrestricted	3,286,066	3,838,326
Total net position	\$ 22,188,058	\$ 20,947,660

NORTH COUNTY CEMETERY DISTRICT*Statement of Activities**For the Fiscal Year Ended June 30, 2026**(With Comparative Information for the Fiscal Year Ended June 30, 2025)*

	Governmental Activities	
	2026	2025
Expenses:		
Cemetery operations:		
Salaries and wages	\$ 1,925,102	\$ 1,709,437
Employee benefits	476,996	374,146
Materials and services	1,435,379	1,369,339
Interest expense	9,971	15,434
Depreciation expense	164,399	129,735
Total expenses	4,011,847	3,598,091
Program revenues:		
Charges for services:		
Interment space sales, interment services, and other sales	2,687,085	2,490,933
Endowment care fees	375,990	352,188
Total program revenues	3,063,075	2,843,121
Net program expense	(948,772)	(754,970)
General revenues:		
Property taxes	1,196,403	1,141,649
Redevelopment taxes	411,502	414,885
Investment earnings	581,265	784,313
Total general revenues	2,189,170	2,340,847
Change in net position	1,240,398	1,585,877
Net position:		
Beginning of year	20,947,660	19,361,783
End of year	<u>\$ 22,188,058</u>	<u>\$ 20,947,660</u>

NORTH COUNTY CEMETERY DISTRICT
Balance Sheet – Governmental Funds
June 30, 2026

<u>ASSETS</u>	<u>General Fund</u>	<u>Special Revenue Pre-Need Fund</u>	<u>Capital Projects Fund</u>	<u>Permanent Fund Endowment Care</u>	<u>Total Governmental Funds</u>
Assets:					
Cash and investments	\$ 1,890,385	\$ -	\$ 1,694,004	\$ -	\$ 3,584,389
Accrued interest receivable	9,216	-	14,627	-	23,843
Restricted:					
Cash and investments	-	7,320,606	-	6,819,485	14,140,091
Accrued interest receivable	-	35,536	-	36,862	72,398
Accounts receivable	-	49,141	-	-	49,141
Property taxes receivable	4,336	-	-	-	4,336
Total assets	\$ 1,903,937	\$ 7,405,283	\$ 1,708,631	\$ 6,856,347	\$ 17,874,198
<u>LIABILITIES AND FUND BALANCE</u>					
Liabilities:					
Accounts payable	\$ 153,994	\$ -	\$ 79,559	\$ -	\$ 233,553
Total liabilities	153,994	-	79,559	-	233,553
Fund balance: (note 8)					
Restricted	-	7,405,283	-	6,856,347	14,261,630
Committed	-	-	1,629,072	-	1,629,072
Assigned	92,949	-	-	-	92,949
Unassigned	1,656,994	-	-	-	1,656,994
Total fund balance	1,749,943	7,405,283	1,629,072	6,856,347	17,640,645
Total liabilities and fund balance	\$ 1,903,937	\$ 7,405,283	\$ 1,708,631	\$ 6,856,347	\$ 17,874,198

NORTH COUNTY CEMETERY DISTRICT

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2026

Fund Balance of Governmental Funds	<u>\$ 17,640,645</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net position includes those assets as capital assets.	4,820,832
Long-term liabilities applicable to the District are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position as follows:	
Compensated absences	(92,949)
Loan payable	<u>(180,470)</u>
Total adjustments	<u>4,547,413</u>
Net Position of Governmental Activities	<u><u>\$ 22,188,058</u></u>

NORTH COUNTY CEMETERY DISTRICT*Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2026*

	General Fund	Special Revenue Pre-Need Fund	Capital Projects Fund	Permanent Fund Endowment Care	Total Governmental Funds
Revenues:					
Property taxes	\$ 1,196,403	\$ -	\$ -	\$ -	\$ 1,196,403
Redevelopment taxes	-	-	411,502	-	411,502
Charges for services:					
Interment space sales and services	2,163,715	523,370	-	-	2,687,085
Endowment care fees	-	-	-	375,990	375,990
Investment earnings	40,563	246,706	72,739	221,257	581,265
Total revenues	3,400,681	770,076	484,241	597,247	5,252,245
Expenditures:					
Current operations:					
Salaries and wages	1,885,776	-	-	-	1,885,776
Employee benefits	476,996	-	-	-	476,996
Materials and services	1,359,702	-	75,677	-	1,435,379
Capital outlay	-	-	864,387	-	864,387
Debt service:					
Principal paid	-	-	174,830	-	174,830
Interest paid	-	-	9,971	-	9,971
Total expenditures	3,722,474	-	1,124,865	-	4,847,339
Excess of revenues over (under) expenditures	(321,793)	770,076	(640,624)	597,247	404,906
Other financing sources(uses):					
Transfers in/(out) (note 9)	449,483	(449,483)	-	-	-
Change in fund balance	127,690	320,593	(640,624)	597,247	404,906
Fund Balance:					
Beginning of year	1,622,253	7,084,690	2,269,696	6,259,100	17,235,739
End of year	<u>\$ 1,749,943</u>	<u>\$ 7,405,283</u>	<u>\$ 1,629,072</u>	<u>\$ 6,856,347</u>	<u>\$ 17,640,645</u>

NORTH COUNTY CEMETERY DISTRICT

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities For the Fiscal Year Ended June 30, 2026

Net Change in Fund Balance – Governmental Funds	<u>\$ 404,906</u>
Amount reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:	
Capital outlay	864,387
Depreciation expense	(164,399)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenses in governmental funds as follows:	
Net change in compensated absences	(39,326)
Principal repayments	<u>174,830</u>
Total adjustments	<u>835,492</u>
Change in Net Position of Governmental Activities	<u><u>\$ 1,240,398</u></u>

NORTH COUNTY CEMETERY DISTRICT

Notes to Financial Statements

June 30, 2026

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A. Description of Organization

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 office of a board, commission, or business organization.

B. Reporting Entity

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

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

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

C. Basis of Presentation

1. Basis of Presentation

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the primary government (the District). 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 revenues, and other nonexchange transactions.

NORTH COUNTY CEMETERY DISTRICT

Notes to Financial Statements

June 30, 2026

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

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

1. Basis of Presentation (continued)

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Major Governmental Funds:

The District maintains only the following 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.

Special Revenue – 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 Projects Fund. Capital Projects 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.

2. Measurement Focus, Basis of Accounting

Government-Wide and Fiduciary Fund Financial Statements

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which all eligibility requirements have been satisfied.

NORTH COUNTY CEMETERY DISTRICT

Notes to Financial Statements

June 30, 2026

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

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

2. Measurement Focus, Basis of Accounting

Governmental Fund Financial Statements

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

3. Revenues - Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year. Generally, available is defined as collectible within 60 days.

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

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

1. Cash and Cash Equivalents

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

2. Investments

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

In accordance with fair value measurements, the District categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement.

NORTH COUNTY CEMETERY DISTRICT

Notes to Financial Statements

June 30, 2026

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

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

2. Investments (continued)

Financial assets and liabilities recorded on the balance sheet are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical investments, such as stocks, corporate and government bonds. The District has the ability to access the holding and quoted prices as of the measurement date.

Level 2 – Inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.

Level 3 – Inputs that are unobservable. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing an investment, and is based on the best information available in the circumstances.

3. Prepaid Items

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

4. Capital Assets

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

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

Description	Estimated Lives
Buildings and Site Improvements	7-50 years
Equipment	5-20 years

5. Compensated Absences

The liability for compensated absences is reported in the government-wide statements. In accordance with GASB Statement No. 101, Compensated Absences, leave is recognized when it is attributable to services already rendered, the leave accumulates, and the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Management evaluates sick leave for other District employees to determine the amount that is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This analysis includes assessing relevant factors such as historical information about the use, payment or forfeiture of compensated absences, and the District's policies related to compensated absences. The measurement of compensated absences includes salary-related payments such as the employer portion of Social Security and Medicare taxes.

NORTH COUNTY CEMETERY DISTRICT

Notes to Financial Statements

June 30, 2026

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

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

6. Net Position

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

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

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

7. Fund Balances

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

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

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

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

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

NORTH COUNTY CEMETERY DISTRICT

Notes to Financial Statements

June 30, 2026

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

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

8. Fund Balances (continued)

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

E. Use of Estimates

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

F. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1, each year. Secured property taxes are levied on July 1 and are payable in two installments, on December 10 and April 10. The San Diego County Assessor's Office assesses all real and personal property within the County each year.

Property tax in California is levied in accordance with Article 13A of the State Constitution at one (1%) of countywide assessed valuations. The San Diego County Treasurer's Office remits an undisclosed portion of the one (1%) current and delinquent property tax collections to the District throughout the year.

G. Budgetary Accounting

An annual unappropriated budget, which establishes the total spending authority for the General Fund, is adopted by the Board of Trustees just prior to the beginning of the District's fiscal year. Estimated revenue is the original estimate with modifications for new programs which are anticipated to be received during the fiscal year. Expenditures cannot legally exceed appropriations at the fund level. Appropriations for the General Fund lapse at the end of the fiscal year. The Board of Trustees may authorize amendments to the budget during the year as deemed necessary. Budgeted amounts were not amended for the fiscal year ended June 30, 2026.

H. New Pronouncements – Governmental Accounting Standards Board (GASB)

During the fiscal year ended June 30, 2026, the District implemented a new pronouncement as follows:

GASB Statement No. 103 – Financial Reporting Model Improvements

This GASB Statement revises financial statement presentation requirements, including enhancements to Management's Discussion and Analysis (MD&A), proprietary fund reporting, and disclosures for major component units. The District adopted the Statement as of July 1, 2025.

NORTH COUNTY CEMETERY DISTRICT

Notes to Financial Statements

June 30, 2026

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

H. New Pronouncements – Governmental Accounting Standards Board (GASB) (continued)

GASB Statement No. 104 – Disclosure of Certain Capital Assets

This GASB Statement establishes new disclosure requirements for certain types of capital assets, including assets held for sale. Implementation of the Statement did not have a material effect on the District's financial statement disclosures. The District adopted the Statement as of July 1, 2025.

GASB Statement No. 105 – Subsequent Events

This GASB Statement clarifies the subsequent events that constitute recognized and non-recognized events and establishes specific note disclosure requirements for non-recognized events. The District elected to early implement GASB Statement No. 105, Subsequent Events, effective July 1, 2025. Implementation of the Statement did not have a material effect on the District's financial statements or related disclosures.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments at June 30, 2026 on the statement of net position consisted of the following:

Description	Balance
Cash and investments	\$ 3,584,389
Restricted cash and investments	14,140,091
Total cash and investments	\$ 17,724,480

Cash and investments at June 30, 2026, are reported at fair value and consisted of the following:

Description	Balance
Demand deposits with financial institutions	\$ 1,268,319
Deposits with San Diego County Treasury Investment Pool (SDCTIP)	11,730,014
Investments	4,726,147
Total cash and investments	\$ 17,724,480

Demand Deposits

At June 30, 2026, the carrying amount of the District's demand deposits was \$1,268,319 and the financial institutions balances totaled \$1,225,393. The \$42,926 net difference represents outstanding checks, deposits-in-transit and/or other reconciling items.

Custodial Credit Risk – Deposits

Custodial credit risk 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. Cash balances held in banks are insured up to \$250,000 by the Federal Depositary Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, 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.

NORTH COUNTY CEMETERY DISTRICT

Notes to Financial Statements

June 30, 2026

NOTE 2 – CASH AND INVESTMENTS (continued)

San Diego County Treasury Investment Pool (SDCTIP)

The District is a voluntary participant in the San Diego County Treasury Investment Pool (SDCTIP) pursuant to Government Code Section 53694. The cash flow needs of participants are monitored daily to ensure that sufficient liquidity is maintained to meet the needs of those participants. At the time deposits are made, the San Diego County Treasurer may require the depositing entity to provide annual cash flow projections or an anticipated withdrawal schedule for deposits in excess of \$1 million. Projections are performed no less than semi-annually. In accordance with Government Code Section 27136, all request for withdrawal of funds for the purpose of investing or deposits the funds elsewhere shall be evaluated to ensure the proposed withdrawal will not adversely affect the principal deposits of the other participants. Pool detail may be obtained from the Treasurer-Tax Collector – San Diego Administration Center – 1600 Pacific Hwy, Room 162 – San Diego, CA 92101 or the Treasurer and Tax Collector's office website at www.sdttc.com.

Investments

Investments as of June 30, 2026, consisted of the following:

Type of Investments	Measurement Input	Credit Rating	Fair Value	Maturity		
				12 Months or Less	13 to 24 Months	25 to 120 Months
Certificates-of-deposit	Level 2	N/A	\$ 283,897	\$ 283,897	\$ -	-
Corporate and other bonds	Level 2	AAA to A-	4,285,453	-	443,958	3,841,495
Government sponsored agency securities	Level 2	AAA to A-	98,990	98,990	-	-
Money market mutual funds	Level 2	N/A	57,807	57,807	-	-
Total investments			\$ 4,726,147	\$ 440,694	\$ 443,958	\$ 3,841,495

Authorized Investments and Investment Policy

The District has adopted an investment policy directing the District Manager to deposit funds in financial institutions to purchase financial investments in accordance with California Government Code 53600-53610.

Fair Value Measurement Input

The District categorizes its fair value measurement inputs within the fair value hierarchy established by generally accepted accounting principles. The District has presented its measurement inputs as noted in the previous table.

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.

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 fair values of investments with longer maturities have greater sensitivity to changes in market interest rates. The District's investment policy follows the Code as it relates to limits on investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates. The District has elected to use the segmented time distribution method of disclosure for the maturities of its investments as related to interest rate risk as noted in the previous table.

NORTH COUNTY CEMETERY DISTRICT

Notes to Financial Statements

June 30, 2026

NOTE 2 – CASH AND INVESTMENTS (continued)

Custodial Credit Risk – Investments

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Code and the District's investment policy contain

legal and policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

NOTE 3 – RESTRICTED ASSETS AND RESTRICTED NET POSITION

Restricted assets as of June 30, 2026, were categorized as follows:

Description	Balance
Restricted assets:	
Cash and investments	\$ 14,140,091
Accrued interest receivable	72,398
Accounts receivable	49,141
Total restricted assets	<u>\$ 14,261,630</u>
Restricted net position:	
Nonexpendable – endowment principal	\$ 5,942,669
Expendable – endowment care – maintenance and operations	913,678
Expendable – pre-need funding	7,405,283
Total restricted net position	<u>\$ 14,261,630</u>

NORTH COUNTY CEMETERY DISTRICT
Notes to Financial Statements
June 30, 2026

NOTE 4 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2026, was as follows:

	<u>Balance July 1, 2025</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance June 30, 2026</u>
Non-depreciable capital assets:				
Land	\$ 2,591,506	\$ -	\$ -	\$ 2,591,506
Construction-in-progress	<u>74,785</u>	<u>141,208</u>	<u>(54,375)</u>	<u>161,618</u>
Total non-depreciable capital assets	<u>2,666,291</u>	<u>141,208</u>	<u>(54,375)</u>	<u>2,753,124</u>
Depreciable capital assets:				
Buildings and site improvements	6,311,467	437,174	-	6,748,641
Equipment	<u>1,464,712</u>	<u>340,380</u>	<u>(204,704)</u>	<u>1,600,388</u>
Total depreciable capital assets	<u>7,776,179</u>	<u>777,554</u>	<u>(204,704)</u>	<u>8,349,029</u>
Accumulated depreciation:				
Buildings and site improvements	(5,665,224)	(49,402)	-	(5,714,626)
Equipment	<u>(656,402)</u>	<u>(114,997)</u>	<u>204,704</u>	<u>(566,695)</u>
Total accumulated depreciation	<u>(6,321,626)</u>	<u>(164,399)</u>	<u>204,704</u>	<u>(6,281,321)</u>
Total depreciable capital assets, net	<u>1,454,553</u>	<u>613,155</u>	<u>-</u>	<u>2,067,708</u>
Total capital assets, net	<u>\$ 4,120,844</u>	<u>\$ 754,363</u>	<u>\$ (54,375)</u>	<u>\$ 4,820,832</u>

NOTE 5 – COMPENSATED ABSENCES

Changes to compensated absences balances for the year ended June 30, 2026, were as follows:

<u>Balance July 1, 2025</u>	<u>Net change</u>	<u>Balance June 30, 2026</u>	<u>Current Portion</u>	<u>Long-term Portion</u>
\$ 53,623	\$ 39,326	\$ 92,949	\$ 46,475	\$ 46,474

NOTE 6 – LOAN PAYABLE

Changes in the loan payable balance for the fiscal year ended June 30, 2026, were as follows:

<u>Balance July 1, 2025</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2026</u>	<u>Current Portion</u>	<u>Long-term Portion</u>
\$ 355,300	\$ -	\$ (174,830)	\$ 180,470	\$ 90,235	\$ 90,235

NORTH COUNTY CEMETERY DISTRICT

Notes to Financial Statements

June 30, 2026

NOTE 6 – LOAN PAYABLE (Continued)

On June 3, 2013, the District refinanced the loan 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 loan's interest rate as well as finance an additional \$395,210 to purchase additional capital assets. The loan is scheduled to mature on July 1, 2027 at an interest rate of 3.20%. Principal and interest payments are payable semi-annually on July 1 and January 1. The schedule of future loan payments that the District is required to make is as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2027	90,235	2,888	93,123
2028	90,235	1,444	91,679
Total	180,470	<u>\$ 4,332</u>	<u>\$ 184,802</u>
Current	<u>(90,235)</u>		
Long-term	<u>\$ 90,235</u>		

NOTE 7 – NET INVESTMENT IN CAPITAL ASSETS

At June 30, 2026, the net investment in capital assets was calculated as follows:

<u>Description</u>	<u>Balance</u>
Net investment in capital assets:	
Capital assets – not being depreciated	\$ 2,753,124
Capital assets, net – being depreciated	2,067,708
Loan payable – current portion	(90,235)
Loan payable – non-current portion	<u>(90,235)</u>
Total net investment in capital assets	<u>\$ 4,640,362</u>

NORTH COUNTY CEMETERY DISTRICT

Notes to Financial Statements

June 30, 2026

NOTE 8 – FUND BALANCES

At June 30, 2026, fund balances of the District's governmental funds were classified as follows:

Description	General Fund	Revenue Pre-Need Fund	Capital Projects Fund	Fund Endowment Care	Total Governmental Funds
Restricted:					
Nonexpendable – endowment principal	\$ -	\$ -	\$ -	\$ 5,942,669	\$ 5,942,669
Expendable - endowment care – maintenance	-	-	-	913,678	913,678
Expendable – pre-need funding	-	7,405,283	-	-	7,405,283
Total restricted	-	7,405,283	-	6,856,347	14,261,630
Committed:					
Capital improvements	-	-	1,629,072	-	1,629,072
Assigned:					
Compensated absences	92,949	-	-	-	92,949
Unassigned	1,656,994	-	-	-	1,656,994
Total fund balances	<u>\$ 1,749,943</u>	<u>\$ 7,405,283</u>	<u>\$ 1,629,072</u>	<u>\$ 6,856,347</u>	<u>\$ 17,640,645</u>

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, assigned and committed funds that are available for the fiscal year.

NOTE 9 – INTERFUND TRANSFERS

At June 30, 2026, interfund transfers of the District's governmental funds were made as follows:

Description	General Fund	Special Revenue Pre-Need Fund	Capital Projects Fund	Permanent Fund Endowment Care	Total
Pre-need funds utilized for interment services	\$ 449,483	\$ (449,483)	\$ -	\$ -	\$ -
Total transfers	<u>\$ 449,483</u>	<u>\$ (449,483)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NORTH COUNTY CEMETERY DISTRICT

Notes to Financial Statements

June 30, 2026

NOTE 10 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The District is a member of the Special District Risk Management Authority (SDRMA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California special districts. The purpose of the SDRMA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage. Further information about the SDRMA is as follows:

A. Entity	SDRMA	
B. Purpose	To pool member contributions and realize the advantages of self-insurance	
C. Participants – Property Liability	As of June 30, 2025 – 427 member agencies	
D. Governing board	Seven representatives employed by members	
E. District payments for FY 2025:		
Property/Liability policy	\$48,261	
Workers' compensation policy	\$94,378	
F. Condensed financial information	June 30, 2025	
Statement of net position:		June 30, 2025
Total assets		<u>\$ 185,602,180</u>
Deferred outflows		<u>1,361,901</u>
Total liabilities		<u>78,502,352</u>
Deferred inflows		<u>332,457</u>
Net position		<u><u>\$ 108,129,272</u></u>
Statement of revenues, expenses and changes in net position:		
Total revenues		\$ 136,035,247
Total expenses		<u>(113,092,341)</u>
Change in net position		22,942,906
Beginning – net position		<u>85,186,366</u>
Ending – net position		<u><u>\$ 108,129,272</u></u>
G. Member agencies share of year-end financial position	Not Calculated	

NORTH COUNTY CEMETERY DISTRICT

Notes to Financial Statements

June 30, 2026

NOTE 10 – RISK MANAGEMENT (continued)

At June 30, 2026, the District participated in the liability and property programs of the SDRMA as follows:

- General and Auto Liability, Public Officials' and Employees' Errors and Omissions and Employment Practices Liability: Total risk financing limits of \$5.0 Million combined single limit at \$5.0 Million per occurrence, subject to the following deductibles:
 - \$500 per occurrence for third party general liability property damage
 - \$1,000 per occurrence for third party auto liability property damage
 - 50% co-insurance of cost expended by SDRMA, in excess of \$10,000 up to \$100,000, per occurrence, for employment related claims. However, 100% of the obligation will be waived if certain criteria are met, as provided in the Memorandum of Coverage.
- Employee Dishonesty Coverage: total of \$1 Million per loss includes Public Employee Dishonesty, Forgery or Alteration and Theft, Disappearance and Destruction coverage effective July 1, 2025.
- Property Loss: Replacement cost, for property on file, if replaced, and if not replaced within three years after the loss, paid on an actual cash value basis, to a combined total of \$1.2 Billion per occurrence, subject to a \$1,000 deductible per occurrence, effective July 1, 2025.
- Boiler and Machinery: Replacement cost up to \$200 Million per occurrence, subject to a \$1,000 deductible, effective July 1, 2025.
- Public Officials Personal Liability: \$500,000 each occurrence, with an annual aggregate of \$500,000 per each elected/appointed official to which this coverage applies, subject to the terms, conditions and exclusions as provided in the Memorandum of Coverage, deductible of \$500 per claim, effective July 1, 2025.
- Comprehensive and Collision: on selected vehicles, with deductibles of \$250/\$500 or \$500/\$1,000, as elected; ACV limits; fully self-funded by SDRMA; Policy No. LCA-SDRMA-2025-26, effective July 1, 2025.
- Workers' Compensation Coverage and Employer's Liability: Statutory limits per occurrence for Workers' Compensation and \$5.0 Million for Employer's Liability Coverage, subject to the terms, conditions and exclusions as provided in the Memorandum of Coverage, effective July 1, 2025.

NOTE 11 – DEFINED CONTRIBUTION PLAN

The District contributes to a Simplified Employee Pension Plan (SEP-IRA) for its employees, which is a qualified defined contribution pension plan under the Internal Revenue Service. The Plan is administered by the District. The District's Board of Trustees has approved the funding of this benefit and may change the percentage as deemed necessary. Contributions to the SEP-IRA for fiscal year ending June 30, 2026 were \$112,049.

NORTH COUNTY CEMETERY DISTRICT

Notes to Financial Statements

June 30, 2026

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Excluded Leases – Short-Term Leases and De Minimis Leases

The District does not recognize a lease receivable and a deferred inflow of resources for short-term leases. Short-term leases are certain leases that have a maximum possible term under the lease contract of 12-months (or less), including any options to extend, regardless of their probability of being exercised.

Also, *de minimis* lessor or lessee leases are certain leases (i.e., room rental, copiers, printers, postage machines) that regardless of their lease contract period are *de minimis* with regards to their aggregate total dollar amount to the financial statements as a whole.

Litigation

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

Construction Commitments

As of June 30, 2026, the District had commitments with respect to unfinished capital projects of approximately \$195K to be paid from net position.

NOTE 13 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through September 28, 2026, the date which the financial statements were available to be issued.

Required Supplementary Information

NORTH COUNTY CEMETERY DISTRICT
Budgetary Comparison Schedule - General Fund
For the Fiscal Year Ended June 30, 2026

	<u>Original</u>	<u>Final</u>	<u>Variance Positive (Negative)</u>	<u>Actual Amounts Budgetary (and GAAP)</u>	<u>Variance with Final Budget - over (under) Actual</u>
BUDGETARY REVENUES					
Property taxes	\$ 1,158,500	\$ 1,158,500	\$ -	\$ 1,196,403	\$ 37,903
Charges for services:					
Interment space sales and services	1,678,958	1,678,958	-	2,163,715	484,757 (a)
Investment earnings	460,336	460,336	-	40,563	(419,773) (b)
Total budgetary revenues	<u>3,297,794</u>	<u>3,297,794</u>	<u>-</u>	<u>3,400,681</u>	<u>102,887</u>
BUDGETARY EXPENDITURES					
Current:					
Salaries and wages	1,916,267	1,916,267	-	1,885,776	30,491
Employee benefits	513,367	513,367	-	476,996	36,371
Materials and services	1,268,160	1,268,160	-	1,359,702	(91,542) (c)
Total budgetary expenditures	<u>3,697,794</u>	<u>3,697,794</u>	<u>-</u>	<u>3,722,474</u>	<u>(24,680)</u>
BUDGETARY OTHER FINANCING SOURCES (USES)					
Transfers in/(out)	400,000	400,000	-	449,483	49,483 (d)
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>-</u>	<u>127,690</u>	<u>127,690</u>
Budgetary fund balance - beginning of period	1,622,253	1,622,253	-	1,622,253	-
Budgetary fund balance - end of period	<u>\$ 1,622,253</u>	<u>\$ 1,622,253</u>	<u>\$ -</u>	<u>\$ 1,749,943</u>	<u>\$ 127,690</u>

NORTH COUNTY CEMETERY DISTRICT

Notes to the Required Supplementary Information For the Fiscal Year Ended June 30, 2026

NOTE 1 – NOTES TO THE BUDGETARY COMPARISON SCHEDULE

The District adopts an annual operating budget prepared on a modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America (GAAP basis). Each year the District prepares and submits an operating budget to the governing board no later than June of each year. The adopted budget becomes operative on July 1st. The budget can be revised by the District's governing board during the year to consider unanticipated revenues and expenditures.

NOTE 2 – ACTUAL BUDGET RESULTS

BUDGETARY REVENUES

Differences – final budget to actual:

- (a) Revenue from the sale of burial rights exceeded budget due to higher-than-budgeted burial rights sales.
- (b) Investment earnings were lower than budgeted due to lower-than-anticipated investment yields during the fiscal year.

BUDGETARY EXPENDITURES

Differences – final budget to actual:

- (c) Materials and services expenditures exceeded the final budget primarily due to inflationary increases in the cost of goods and services purchased from external vendors during the fiscal year.

BUDGETARY OTHER FINANCING SOURCES(USES)

Differences – final budget to actual:

- (d) Transfers into the General Fund were greater than budgeted as actual preneed interments exceeded expectations, resulting in higher transfers from the Preneed Fund than originally anticipated

Other Independent Auditors' Report



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees
North County Cemetery District
Escondido, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the North County Cemetery District (District) as of and for the fiscal year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 28, 2026.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Murrieta, California
September 28, 2026