

**NORTH COUNTY
CEMETERY DISTRICT**

**ANNUAL FINANCIAL
REPORT**

JUNE 30, 2014

NORTH COUNTY CEMETERY DISTRICT

OF SAN DIEGO COUNTY

ESCONDIDO, CALIFORNIA

JUNE 30, 2014

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Marvin Douglas Hudson	Chair of the Board	January 2016
Sharon Disney	Vice Chair of the Board	January 2015
Tom Knight	Trustee	January 2018
Steven Lochridge	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, 2014, 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, 2014, 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.

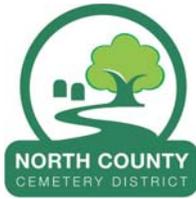
Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated February 3, 2015 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.



February 3, 2015

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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, 2014. The F/Y 2013/2014 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.

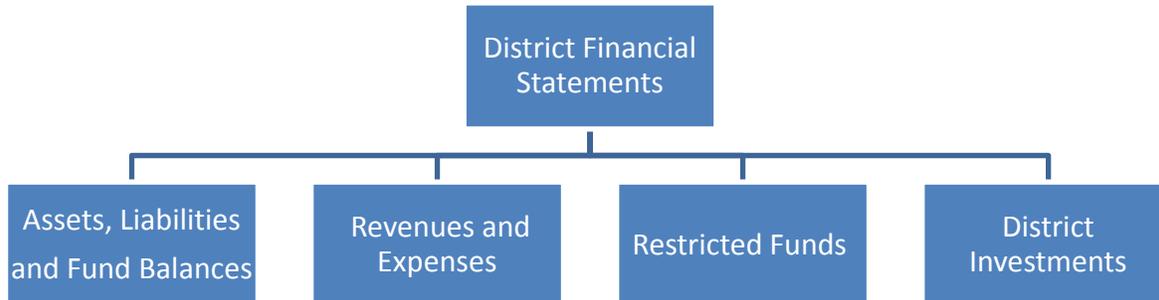
Please read this document in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

During the year the District's Total Assets increased from \$ 10.419 million in the previous year to \$10.875 million. The growth of assets came from; a decrease in expenses, and a modest increase of Cemetery Income.

NORTH COUNTY CEMETERY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued JUNE 30, 2014



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

NORTH COUNTY CEMETERY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
 JUNE 30, 2014

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's net position increased slightly between fiscal years 2013 and 2014—to \$8.8 million. (See Table 1.)

<i>(amounts in thousands)</i>	Governmental Activities		\$ Change	% Change
	2014	2013		
ASSETS				
Current assets	\$ 4,796	\$ 4,614	\$ 182	4%
Noncurrent assets, net	6,079	5,805	274	5%
Total Assets	10,875	10,419	456	4%
LIABILITIES				
Current liabilities	159	61	98	161%
Non-current liabilities	1,917	1,951	(34)	-2%
Total Liabilities	2,076	2,012	64	3%
NET POSITION				
Net investment in capital assets	1,151	1,309	(158)	-12%
Restricted	5,724	2,769	2,955	107%
Unrestricted	1,924	4,329	(2,405)	-56%
Total Net Position	\$ 8,799	\$ 8,407	\$ 392	5%

The net position of the District's governmental activities increased five percent. This was due to some cash and investment increase (due to better performance) and fixed asset improvements. While liabilities slightly increased, it was less than the increase in assets.

NORTH COUNTY CEMETERY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
 JUNE 30, 2014

Changes in Net Position

Total revenues, increased by 7.59%, or \$108,637, over the last 5 year rolling average. (FY 2012-2013 is skewed up due to a large One Time RDA payout). Interest on Investments for F/Y 2013-2014 has begun to improve over the past 5 year's performance. Total earnings were \$60,902 compared to \$37,788 in FY 2012-2103. The Property Tax distribution (without considering the money from the RDA dissolution), increased by 3.5% over the previous year.

Total Expenses decreased by 57%, (\$178,000) in F/Y 13-14 over F/Y 12-13. Wages and Health Care costs increased by a modest 2%, or \$21,000. Supplies & Services spending decreased by \$34,000, or about 8%. This was driven, substantially, by a decrease in depreciation expense and refunding costs.

Table 2

	Governmental Activities				
	<i>(amounts in thousands)</i>	2014	2013	\$ Change	% Change
REVENUES					
Property taxes	\$	752	\$ 894	\$ (142)	-16%
Intergovernmental revenues		19	21	(2)	-10%
Charges for services		1,048	994	54	5%
Miscellaneous		66	57	9	16%
Total Revenues		1,885	1,966	(81)	-4%
EXPENSES					
Salaries and benefits		873	838	35	4%
Materials and services		379	413	(34)	-8%
Other charges		161	340	(179)	-53%
Total Expenses		1,413	1,591	(178)	-57%
Excess (deficiency)	\$	472	\$ 375	\$ 97	26%

NORTH COUNTY CEMETERY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued JUNE 30, 2014

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

General Operating Fund:

- Revenues: Total Operating Income for the FY 13/14 was down from FY 12/13 because of the large One Time RDA payouts from FY 12/13. The FY 13/14 performance was \$170,114 more than FY11/12.
 - The Board of Trustees voted in July 2013 to raise the District fees for cemetery services by 2%. The total revenue received from Cemetery Service Income increased by \$56,808 or 11.62%. The number of services in the District remained almost the same as the previous year with 402 interments. 404 interments were completed in 12/13, compared to 393 in 11/12 and 381 services in 10/11.
 - Property Tax revenue increased by \$ 20,026 or 3.48% over the F/Y 2012/2013 amount. In addition, the District received \$175,523 from payouts through the RDA dissolutions.
 - Investment yields during F/Y 2013-2014 increased by \$15,029 or a 60% gain from last F/Y. The average interest paid by the San Diego County Investment pool languished below 0.5% in 13/14. Revenue from interest on investments during the past three years, (11-12, 12-13, 13-14), has been close to 50% of the revenue experienced prior to the 2008 fall, (05-06, 06-07, 07-08).

- Expenditures: Total expenditures for the year were managed closely despite several large unplanned expenses. Expenses were 1.34% (\$16,510) over budgeted levels despite spending on a new irrigation pump at Oak Hill, a new mower purchased at \$8,362, and structure improvements on the San Marcos rental house.

- Total general operating fund revenues over expenditures for the year was \$288,963. This balance was transferred into the Capital Outlay Fund in July of 2014. \$184,800 is planned to be used for the 2014/15 real estate loan payments.

Endowment Care Fund: At the end of the fiscal year the endowment care fund had increased by \$142,347.44 to a new level of \$3,376,999.40. This was a 4.4% increase of the total fund. The increase was due to active pre-need sales, and fee increase by the Board in July of 2013. \$127,120 was added to the fund through the sale of interment rights, and \$15,227 was added through investment returns.

Pre-need Fund: The pre-need fund was increased by \$209,904.46 or 8.01%, to a total of \$2,828,613. This was the result of the sale of \$414,993 of pre-need services and the receipt of \$18,504 in interest from investments of the fund. The general operating fund received \$222,192 from services that were used from the pre-need fund during the year. \$1,400 was sent to the state as sales tax.

Capital Outlay Fund: In the July 2013 Board of Trustees Meeting, the Trustees directed a portion of the FY 12/13 excess revenue over expenses, to be moved to the Capital Outlay Fund. The amount was \$250,719. Additionally, monies that were in the General Fund as Committed for pending RDA refund litigation were directed to be moved to Capital Outlay. This was an additional \$257,109. Only one Mortgage payment was made in this fiscal year, a \$95,427 payment. The fund ended the year at \$959,089.

NORTH COUNTY CEMETERY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
 JUNE 30, 2014

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had a net decrease (including additions and deductions) of \$30 thousand from last year.

Table 3

<i>(amounts in thousands)</i>	Governmental Activities		\$ Change	\$ Change
	2014	2013		
CAPITAL ASSETS				
Land and construction in progress	\$ 2,596	\$ 2,592	\$ 4	0%
Buildings and equipment	6,017	5,941	76	1%
Accumulated depreciation	(5,452)	(5,342)	(110)	2%
Total Capital Assets	\$ 3,161	\$ 3,191	\$ (30)	-1%

Land: No change in 2013-2014. Structures & Improvements: The two rental houses in the District required significant improvements. The air conditioning unit at the San Marcos house was replaced. A new irrigation pump was required at Oak Hill. Equipment: No equipment was added to the District. The District completed a very large annexation in July of 2013

Long-Term Liabilities

At year-end the District had a \$2.0 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
	2014	2013		
LONG-TERM LIABILITIES				
Note payable	\$ 2,010	\$ 2,067	\$ (57)	-3%
Compensated absences	26	18	8	44%
Less current portion	(119)	(57)	(62)	109%
Total Long-term Liabilities	\$ 1,917	\$ 2,028	\$ (111)	-5%

NORTH COUNTY CEMETERY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued JUNE 30, 2014

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The number of interments in the District remained essentially level with only 402 in F/Y 2013/2014. The revenue from interments in F/Y 2014/2015 is anticipated to be greater than F/Y 2013/2014. A slight increase in the number of services to a total of 410 at the current fee schedule will result in a 6% increase in cemetery revenue. The overall fee schedule for service provided by North County Cemetery District was increased by approximately 2% by motion of the Board of Trustees for the F/Y 2014/2015. The property tax revenue for 2014/2015 is budgeted slightly more than the actual revenues from F/Y 2013/2014 but less than F/Y 2008-2009. 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 mirror F/Y 2013/14 as the economy, while growing slightly, does not offer much growth in conservative investments such as CD's. 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 2013/2014 was on the District Annexation. Finishing the Niche repairs, and a new Cemetery Management Software System are the top priorities of the District in F/Y 2014/2015.

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, 2014

	General Fund	Pre-Need Fund	Capital Projects Fund
ASSETS			
Cash and cash equivalents	\$ 549,801	\$ 1,661,309	\$ 959,089
Investments	-	1,167,304	-
Nondepreciable capital assets	-	-	-
Depreciable capital assets, net	-	-	-
Total Assets	\$ 549,801	\$ 2,828,613	\$ 959,089
LIABILITIES			
Accrued liabilities	\$ 8,429	\$ -	\$ -
Long-term liabilities, current portion	-	-	-
Long-term liabilities, non-current portion	-	-	-
Total Liabilities	8,429	-	-
FUND BALANCES / NET POSITION			
Fund balance			
Non-spendable	200	-	-
Spendable			
Restricted	-	2,828,613	-
Committed	-	-	439,373
Assigned	-	-	519,716
Unassigned	541,172	-	-
Net position			
Net investment in capital assets	-	-	-
Restricted	-	-	-
Unrestricted	-	-	-
Total Fund Balances / Net Position	541,372	2,828,613	959,089
Total Liabilities and Fund Balances / Net Position	\$ 549,801	\$ 2,828,613	\$ 959,089

The accompanying notes are an integral part of these financial statements

Endowment Fund	Total Governmental Funds	Adjustments (Note 2 A.)	Statement of Net Position
\$ 1,626,039	\$ 4,796,238	\$ -	\$ 4,796,238
1,750,962	2,918,266	-	2,918,266
-	-	2,596,220	2,596,220
-	-	564,784	564,784
<u>\$ 3,377,001</u>	<u>\$ 7,714,504</u>	<u>\$ 3,161,004</u>	<u>\$ 10,875,508</u>
\$ -	\$ 8,429	\$ 32,162	\$ 40,591
-	-	118,856	118,856
-	-	1,916,768	1,916,768
<u>-</u>	<u>8,429</u>	<u>2,067,786</u>	<u>2,076,215</u>
2,895,663	2,895,863	(2,895,863)	-
-	2,828,613	(2,828,613)	-
481,338	920,711	(738,447)	-
-	519,716	(701,980)	-
-	541,172	(541,172)	-
-	-	1,150,905	1,150,905
-	-	5,724,276	5,724,276
-	-	1,924,112	1,924,112
<u>3,377,001</u>	<u>7,706,075</u>	<u>1,093,218</u>	<u>8,799,293</u>
<u>\$ 3,377,001</u>	<u>\$ 7,714,504</u>	<u>\$ 3,161,004</u>	<u>\$ 10,875,508</u>

NORTH COUNTY CEMETERY DISTRICT

GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
& STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

	General Fund	Pre-Need Fund	Capital Projects Fund
REVENUES			
Property taxes	\$ 752,465	\$ -	\$ -
Intergovernmental revenues	18,654	-	-
Charges for services	505,747	415,588	-
Revenue from use of money	1,429	18,504	2,546
Miscellaneous	4,445	604	-
Total Revenues	1,282,740	434,696	2,546
EXPENDITURES			
Current			
Salaries	643,665	-	-
Benefits	221,825	-	-
Materials and supplies	87,591	-	-
Services	288,726	2,561	-
Depreciation	-	-	-
Capital outlay	16,793	-	50,703
Debt service			
Principal	57,207	-	-
Interest and other	38,222	-	-
Total Expenditures	1,354,029	2,561	50,703
Excess (Deficiency) of Revenues			
Over Expenditures	(71,289)	432,135	(48,157)
OTHER FINANCING SOURCES (USES)			
Transfers In	340,857	-	507,828
Transfers Out	(507,828)	(222,232)	(95,429)
Net Financing Sources (Uses)	(166,971)	(222,232)	412,399
NET CHANGE IN FUND			
BALANCE / NET POSITION	(238,260)	209,903	364,242
Fund Balance / Net			
Position (Restated) - Beginning	779,632	2,618,710	594,847
Fund Balance / Net Position - Ending	\$ 541,372	\$ 2,828,613	\$ 959,089

The accompanying notes are an integral part of these financial statements

Endowment Fund	Total Governmental Funds	Adjustments (Note 2 B.)	Statement of Activities
\$ -	\$ 752,465	\$ -	\$ 752,465
-	18,654	-	18,654
127,120	1,048,455	-	1,048,455
38,423	60,902	-	60,902
-	5,049	-	5,049
165,543	1,885,525	-	1,885,525
-	643,665	7,609	651,274
-	221,825	-	221,825
-	87,591	-	87,591
-	291,287	-	291,287
-	-	97,387	97,387
-	67,496	(67,496)	-
-	-	-	-
-	57,207	(57,207)	-
-	38,222	25,792	64,014
-	1,407,293	6,085	1,413,378
165,543	478,232	(6,085)	472,147
-	848,685	(848,685)	-
(23,196)	(848,685)	848,685	-
(23,196)	-	-	-
142,347	478,232	(6,085)	472,147
3,234,654	7,227,843	1,099,303	8,327,146
\$ 3,377,001	\$ 7,706,075	\$ 1,093,218	\$ 8,799,293

NORTH COUNTY CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 office of a board, commission, or business organization.

B. Component Unit

The accompanying government-wide financial statements comply with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*, in that the financial statements include all organizations, activities, and functions that comprise the District. Component units are legally separate entities for which the District (the primary entity) is financially accountable. Financial accountability is defined as the ability to appoint a Voting majority of the organization's governing body and either (1) the District's ability to impose its will *over* the organization or (2) the potential that the organization will provide a financial benefit to, or impose a financial burden on, the District. Using these criteria, the District has no component units.

C. Other Related Entities

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

NORTH COUNTY CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued JUNE 30, 2014

D. Basis of Presentation, Basis of Accounting

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.

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.

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.

NORTH COUNTY CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued JUNE 30, 2014

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.

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.

NORTH COUNTY CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2014

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.

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.

NORTH COUNTY CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued JUNE 30, 2014

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.

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, 2014. 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 \$5,724,276 of restricted net position.

NORTH COUNTY CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued JUNE 30, 2014

Interfund Activity

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

Estimates

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

Budgetary Data

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

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

NORTH COUNTY CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued JUNE 30, 2014

F. New Accounting Pronouncements

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

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

G. Adoption of New GASB Accounting Standard in the Current Year, Restatement

In 2014, the District adopted GASB No. 65, *Items Previously Reported as Assets and Liabilities*, which states, “Paragraph 187 of Statement 62 establishes standards of accounting and financial reporting for debt issuance costs. Paragraph 12 of Statement 7 indicates that debt issuance costs include all costs incurred to issue the bonds, including but not limited to insurance costs (net of rebates from the old debt, if any), financing costs (such as rating agency fees), and other related costs (such as printing, legal, administrative, and trustee expenses). Debt issuance costs, except any portion related to prepaid insurance costs, should be recognized as an expense in the period incurred.” The effect of this change was to decrease 2014 beginning net position by \$79,524. The financial statements for 2013 resulted in a decrease in prepaid expenses and an increase in expenses for 2013 of \$79,524. Beginning net position as of July 01, 2013, has been adjusted for the effect of retroactive application of the new standard.

NORTH COUNTY CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
 JUNE 30, 2014

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

A. Governmental Funds Balance Sheet and Statement of Net Assets

Total Fund Balance - Governmental Funds \$ 7,706,075

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	8,587,759	
	Accumulated depreciation	(5,426,755)	3,161,004

Unmatured interest on long-term debt:

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

(32,162)

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	2,010,099	
	Compensated absences	25,525	(2,035,624)
Total Net Position - Governmental Activities		\$ 8,799,293	

NORTH COUNTY CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
 JUNE 30, 2014

B. Governmental Funds Operating Statements and the Statement of Activities

Net Change in Fund Balances - Governmental Funds \$ 478,232

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:	67,496	
	Depreciation expense:	(97,387)	(29,891)

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: 57,207

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: (25,792)

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: (7,609)

Change in net position of Governmental Activities \$ 472,147

NORTH COUNTY CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2014

NOTE 3 - DEPOSITS AND INVESTMENTS

A. Summary of Deposits and Investments

	Governmental Activities
Cash on hand	\$ 200
Deposits in financial institutions	633,129
Cash in County	4,162,909
<u>Total cash and cash equivalents</u>	<u>4,796,238</u>
Investments	2,918,266
Total	\$ 7,714,504

B. Policies and Practices

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

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

C. General Authorizations

Except for investments by trustees of debt proceeds, the authority to invest District funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website. The table 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, 2014

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

D. Interest Rate Risk

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

NORTH COUNTY CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
 JUNE 30, 2014

E. Credit Risk

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

F. Specific Identification

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

<u>Investment Type:</u>	<u>S & P Rating</u>	<u>Maturity (Months)</u>	<u>Percent of Total</u>	<u>Reported Value</u>	<u>Fair Market Value</u>
Cash in county	AAAf / S1	5 average	59%	\$ 4,162,909	\$ 4,137,000
Investments:					
Mutal funds	NA	0	5%	\$ 318,897	\$ 324,260
Corporate bonds:					
Arden Reality Corp	AA+	8	3%	187,996	192,005
AT&T Inc	A-	0.5 - 32	4%	302,802	303,870
BNP Paribas	A+	33	1%	98,767	97,727
Goldman Sachs Group	A-	43	1%	99,305	101,695
Wells Fargo	A+	41	3%	199,257	187,305
Total corporate bonds			13%	888,127	882,602
Certificates of deposit ("CD"):					
FDIC					
Ally Bank		14	3%	200,000	201,314
Everbank		8	3%	209,816	209,816
Intervest National Bank		28	2%	121,484	121,484
GE Capital		6 - 8	4%	250,000	250,830
Goldman Sachs Group		14	3%	200,000	201,068
Nicolet National Bank		12	2%	112,601	113,970
One West Bank		0	1%	100,000	100,000
Pacific Merchantile Bank		9	1%	102,070	102,253
PBI Bank		3 - 11	2%	110,545	111,459
World Financial Network		3	1%	100,000	100,216
Worlds Foremost Bank		5 - 13	3%	204,726	202,865
Total CDs			24%	1,711,242	1,715,275
Total investments				\$ 2,918,266	\$ 2,922,137
Total				\$ 7,081,175	\$ 7,059,137

NORTH COUNTY CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
 JUNE 30, 2014

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, 2014, the District's bank balance of \$499,876 was insured, but \$174,457 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, 2014, was as follows:

	Balance July 01, 2013	Additions	Deductions	Balance June 30, 2014
Land	\$ 2,591,506	\$ -	\$ -	\$ 2,591,506
Construction in progress	-	4,714	-	4,714
Non-Depreciable				
Capital Assets	\$ 2,591,506	\$ 4,714	\$ -	\$ 2,596,220
Capital assets being depreciated				
Buildings & improvements	5,396,150	11,760	8,000	5,415,910
Furniture & equipment	545,261	51,022	4,654	600,937
Total Capital Assets Being Depreciated				
	5,941,411	62,782	12,654	6,016,847
Less Accumulated Depreciation				
Buildings & improvements	4,809,873	88,653	8,000	4,906,526
Furniture & equipment	532,149	8,734	4,654	545,537
Total Accumulated Depreciation				
	5,342,022	97,387	12,654	5,452,063
Depreciable Capital Assets, net	\$ 599,389	\$ (34,605)	\$ -	\$ 564,784
Total Capital Assets, net	\$ 3,190,895	\$ (29,891)	\$ -	\$ 3,161,004

NORTH COUNTY CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
 JUNE 30, 2014

NOTE 5 - INTERFUND TRANSFERS

Transfer To Other Funds	Interfund Transfers In		
	General Fund	Capital Projects Fund	Total
General Fund	\$ -	\$ 507,828	\$ 507,828
Pre-Need Fund	222,232	-	222,232
Capital Outlay Fund	95,429	-	95,429
Endowment Fund	23,196	-	23,196
Total Interfund Transfers Out	\$ 340,857	\$ 507,828	\$ 848,685

General Fund Transferred Out to Capital Projects Fund of prior year excess of revenue over expenditures in the amount of:	\$ 250,719
General Fund transferred out to Capital Projects Fund capital commitment:	257,109
Capital Projects Fund transferred to the General Fund the debt service payment:	95,429
Endowment Fund transferred to the General Fund excess earnings in the amount of:	23,196
Pre-Need Transferred to the General Fund at need money for services in the amount of:	222,232
Total	\$ 848,685

NOTE 6 - ACCRUED LIABILITIES

Accrued liabilities at June 30, 2014, consisted of the following:

	General Fund	District-Wide	Total Governmental Activities
Vendors payable	\$ 8,429	\$ -	\$ 8,429
Interest payable	-	32,162	32,162
Total	\$ 8,429	\$ 32,162	\$ 40,591

NORTH COUNTY CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
 JUNE 30, 2014

NOTE 7 - LONG-TERM DEBT

A. Long-Term Debt Summary

	Balance July 01, 2013	Additions	Deductions	Balance June 30, 2014	Balance Due In One Year	Long-Term Balance
Note payable	\$ 2,067,306	\$ -	\$ 57,207	\$ 2,010,099	\$ 118,856	\$ 1,891,243
Compensated absences	17,916	7,609	-	25,525	-	25,525
Total	\$ 2,085,222	\$ 7,609	\$ 57,207	\$ 2,035,624	\$ 118,856	\$ 1,916,768

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, 2014, are as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Note Outstanding June 30, 2013	Redeemed	Note Outstanding June 30, 2014
June 3, 2013	July 1, 2027	3.20%	\$ 2,067,306	\$ 2,067,306	\$ 57,207	\$ 2,010,099

C. Debt Service Requirements to Maturity - Note

The bonds mature through 2028 as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 118,856	\$ 63,408	\$ 182,264
2016	125,284	59,533	184,817
2017	129,326	55,493	184,819
2018	133,495	51,321	184,816
2019	137,804	47,015	184,819
2020 - 2024	758,632	165,469	924,101
2025 - 2028	606,702	39,444	646,146
	\$ 2,010,099	\$ 481,683	\$ 2,491,782

NORTH COUNTY CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
 JUNE 30, 2014

D. Compensated Absences

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2014, amounted to \$25,525.

NOTE 8 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Pre-Need Fund	Capital Projects Fund	Endowment Fund	Total Governmental Funds
Non-spendable					
Non-restricted					
Reserve for revolving cash	\$ 200	\$ -	\$ -		\$ 200
Restricted, Permanent Fund Balance	-	-	-	2,895,663	2,895,663
Total Nonspendable	200	-	-	2,895,663	2,895,863
Spendable					
Restricted					
Pre-need	-	2,828,613	-	-	2,828,613
Committed					
Capital commitment	-	-	257,109	-	257,109
Debt service	-	-	182,264	-	182,264
Endowment care	-	-	-	481,338	481,338
Total Committed	-	-	439,373	481,338	920,711
Assigned					
Assigned to capital projects	-	-	519,716	-	519,716
Unassigned	541,172	-	-	-	541,172
Total	\$ 541,372	\$ 2,828,613	\$ 959,089	\$ 3,377,001	\$ 7,706,075

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, 2014

NOTE 9 - EMPLOYEE RETIREMENT SYSTEMS

A. Cafeteria Plan Arrangements

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

B. Retirement Contributions

Current year contributions to SEP-IRA were \$65,489. The District also matches contributions to FICA currently 7.65% of qualifying wages. The current year payments were \$78,540.

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, 2014, the District made payments of \$12,586 and \$21,229, for property and liability; and workers' compensation, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

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NORTH COUNTY CEMETERY DISTRICT

GENERAL FUND - BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>			Variances - Positive / (Negative) Final to Actual
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Property taxes	\$ 693,000	\$ 693,000	\$ 752,465	\$ 59,465
Intergovernmental revenues	-	-	18,654	18,654
Charges for services	492,570	492,570	505,747	13,177
Revenue from use of money	2,100	2,100	1,429	(671)
Miscellaneous	4,200	4,200	4,445	245
Total Revenues	1,191,870	1,191,870	1,282,740	90,870
EXPENDITURES				
Current				
Salaries	647,100	647,100	643,665	3,435
Benefits	227,460	227,460	221,825	5,635
Materials and supplies	90,000	90,000	87,591	2,409
Services	263,500	263,500	288,726	(25,226)
Capital outlay			16,793	(16,793)
Debt service				
Principal	118,856	118,856	57,207	61,649
Interest and other	63,407	63,407	38,222	25,185
Total Expenditures	1,410,323	1,410,323	1,354,029	56,294
Excess (Deficiency) of Revenues				
Over Expenditures	(218,453)	(218,453)	(71,289)	147,164
Other Financing Sources (Uses):				
Transfers In	210,000	210,000	340,857	130,857
Transfers Out	-	-	(507,828)	(507,828)
Net Financing Sources (Uses)	210,000	210,000	(166,971)	(376,971)
NET CHANGE IN FUND BALANCE	(8,453)	(8,453)	(238,260)	(229,807)
Fund Balance - Beginning	779,632	779,632	779,632	
Fund Balance - Ending	\$ 771,179	\$ 771,179	\$ 541,372	\$ (229,807)

NORTH COUNTY CEMETERY DISTRICT

PRE-NEED FUND - BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2014

	<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	\$ 415,588	\$ 15,588
Revenue from use of money	14,000	14,000	18,504	4,504
Miscellaneous	-	-	604	604
Total Revenues	414,000	414,000	434,696	20,696
EXPENDITURES				
Current				
Services	3,200	3,200	2,561	639
Excess (Deficiency) of Revenues				
Over Expenditures	410,800	410,800	432,135	21,335
Other Financing Uses:				
Transfers Out	(210,000)	(210,000)	(222,232)	(12,232)
NET CHANGE IN FUND BALANCE	200,800	200,800	209,903	9,103
Fund Balance - Beginning	2,618,710	2,618,710	2,618,710	
Fund Balance - Ending	\$ 2,819,510	\$ 2,819,510	\$ 2,828,613	\$ 9,103

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, 2014, 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 February 3, 2015.

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 cursive script that reads "M. J. Dennis Occauntancy". The signature is written in black ink and features a large, decorative flourish at the end.

February 3, 2015

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