

**NORTH COUNTY  
CEMETERY DISTRICT**

**ANNUAL FINANCIAL  
REPORT**

**JUNE 30, 2016**



**NORTH COUNTY CEMETERY DISTRICT**

**OF SAN DIEGO COUNTY**

**ESCONDIDO, CALIFORNIA**

**JUNE 30, 2016**

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**GOVERNING BOARD**

<b>MEMBER</b>	<b>OFFICE</b>	<b>TERM EXPIRES</b>
Thomas S. Knight	Chair of the Board	January 2018
Richard Hyde	Vice Chair of the Board	January 2017
Marvin H. Douglas	Trustee	January 2020
Steven Lochridge	Trustee	January 2017
Sharon Disney	Trustee	January 2019

**ADMINISTRATION**

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Dennis Shepard                      General Manager

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**NORTH COUNTY CEMETERY DISTRICT**

**TABLE OF CONTENTS**  
**JUNE 30, 2016**

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**FINANCIAL SECTION**

Independent Auditor’s Report..... - 1 -  
Management’s Discussion and Analysis..... - 5 -  
Basic Financial Statements  
    Governmental Funds Balance Sheet and Statement of Net Position ..... - 12 -  
    Governmental Fund Revenues, Expenditures, and Changes in Fund Balances & Statement of Activities ..... - 14 -  
    Notes to Financial Statements ..... - 16 -

**REQUIRED SUPPLEMENTARY INFORMATION**

General Fund – Budgetary Comparison Schedule ..... - 35 -  
Pre-Need Fund – Budgetary Comparison Schedule ..... - 36 -

**OTHER INDEPENDENT AUDITOR’S REPORT**

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 *Governmental Auditing Standards*..... - 39 -

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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***

We have audited the accompanying financial statements of the governmental activities and each major fund of North County Cemetery District, as of and for the year ended June 30, 2016, 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**

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**

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

RT DENNIS  
ACCOUNTANCY

## Opinions

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 North County Cemetery District, as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis and budgetary comparison on pages 5 through 11 and 35 through 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. 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.

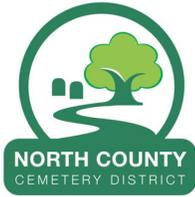
### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2017 on our consideration of North County Cemetery 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 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 10, 2017

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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, 2016. The F/Y 2015/2016 is reported in a **government-wide** format in compliance with *Governmental Accounting Standards Board* Statement numbers 34 and 54.

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

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

### FINANCIAL HIGHLIGHTS

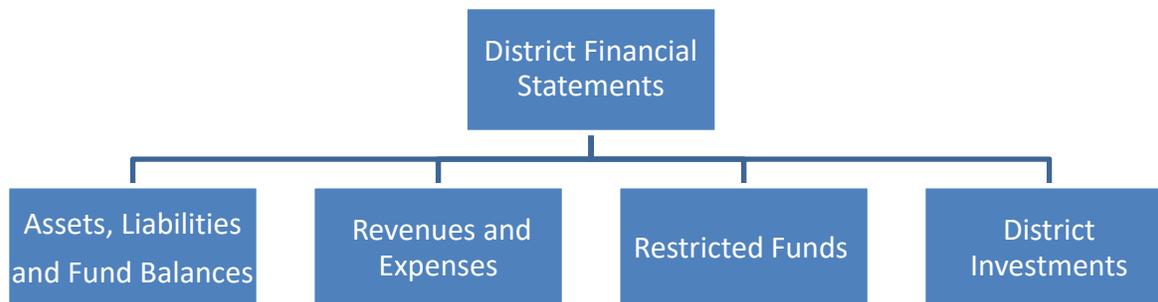
During the year the District's net position increased from \$9.2 million in the previous year to \$9.8 million. While the District did **not** increase fees at all, there was an 8.2% increase in the number of services during Fiscal Year 15-16. The financial growth came from three major sources: Pre-Need Sales of services totaled \$463,494; Endowment Care Fees for all sales, (both Pre-Need and At-Need), totaled \$143,005; General Fund Expenses under ran total General Fund Revenues by \$70,347. A small amount of interest was realized on the Capital Outlay Fund, \$3,184. In addition, interest earned from the Endowment Care Fund totaled \$45,664, a 1.3% APY.

The Capital Fund was impacted by the annual Land Mortgage payment of \$183,782, and by the completion of the Niche Rehabilitation work at Oak Hill Memorial Park. In Fiscal Year 15-16, \$284,453 was spent on the Niche work. This project completed in January, 2016.

# NORTH COUNTY CEMETERY DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued JUNE 30, 2016

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

**NORTH COUNTY CEMETERY DISTRICT**

**MANAGEMENT’S DISCUSSION AND ANALYSIS, Continued**  
**JUNE 30, 2016**

**FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE**

**Net Position**

The District’s net position increased between fiscal years 15/16 and 14/15—to \$9.8 million. (See Table 1.)

**Table 1**

<i>(amounts in thousands)</i>	<b>Governmental Activities</b>		<b>\$ Change</b>	<b>% Change</b>
	<b>2016</b>	<b>2015</b>		
<b>ASSETS</b>				
Current assets	\$ 3,958	\$ 4,415	\$ (457)	-10%
Noncurrent assets, net	7,573	6,634	939	14%
<b>Total Assets</b>	<b>11,531</b>	<b>11,049</b>	<b>482</b>	<b>4%</b>
<b>LIABILITIES</b>				
Current liabilities	69	83	(14)	-17%
Non-current liabilities	1,654	1,783	(129)	-7%
<b>Total Liabilities</b>	<b>1,723</b>	<b>1,866</b>	<b>(143)</b>	<b>-8%</b>
<b>NET POSITION</b>				
Net investment in capital assets	1,910	1,151	759	66%
Restricted	6,550	5,724	826	14%
Unrestricted	1,348	2,308	(960)	-42%
<b>Total Net Position</b>	<b>\$ 9,808</b>	<b>\$ 9,183</b>	<b>\$ 625</b>	<b>7%</b>

The net position of the District’s governmental activities increased seven percent. This was due to some cash and investment increase (due to better performance) and a major niche rehabilitation which completed in January of 2016. Liabilities decreased in 2015/16, mainly from two scheduled payments on the District’s loan which will be paid off in July, 2027.

**NORTH COUNTY CEMETERY DISTRICT**

**MANAGEMENT’S DISCUSSION AND ANALYSIS, Continued**  
**JUNE 30, 2016**

**Changes in Net Position**

**Total revenues**, gained modestly from F/Y 14-15, buoyed by better tax revenue, and an increase in burial services during the year. The number of services increased by 10.8% over the last fiscal year to a total of 390 services performed during this fiscal year. Interest on Investments for F/Y 2015-2016 has remained about the same as compared to last year; total earnings were \$79,850 compared to \$79,681 in FY 2014-2015. The Property Tax distributions (without considering the money from the RDA dissolution), increased by 3.5% over the previous year. The total revenue from property taxes increased by 7%.

**Total Expenses**, decreased by 3%, (\$43,000) in F/Y 15-16 from F/Y 14-15. Wages (including changes for vacation liability balances) and Health Care costs increased by 1%, or \$7,000. Supplies & Services spending decreased by \$23,000, or about 6 %. The District was able to manage all expenses including debt payments on the one loan that the District has, and still have a small excess revenue over expenses.

**Table 2**

<i>(amounts in thousands)</i>	<b>Governmental Activities</b>			
	<b>2016</b>	<b>2015</b>	<b>\$ Change</b>	<b>% Change</b>
<b>REVENUES</b>				
Property taxes	\$ 836	\$ 781	\$ 55	7%
Intergovernmental revenues	18	18	-	0%
Charges for services	1,105	986	119	12%
Miscellaneous	122	97	25	26%
<b>Total Revenues</b>	<b>2,081</b>	<b>1,882</b>	<b>199</b>	<b>11%</b>
<b>EXPENSES</b>				
Salaries and benefits	944	937	7	1%
Materials and services	387	410	(23)	-6%
Other charges	125	152	(27)	-18%
<b>Total Expenses</b>	<b>1,456</b>	<b>1,499</b>	<b>(43)</b>	<b>-3%</b>
<b>Excess</b>	<b>\$ 625</b>	<b>\$ 383</b>	<b>\$ 242</b>	<b>63%</b>

## NORTH COUNTY CEMETERY DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued JUNE 30, 2016

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#### FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

##### General Operating Fund:

- Revenues: Total revenue for the FY 15-16 increased from FY 14/15. The FY 15/16 fund balance increased by \$70,347 over the FY14/15.
  - The Board of Trustees voted in July 2015 to keep the District fees for cemetery services the same as last year. The total revenue received from Charges for Services increased by \$74,867 or 17%. The number of services in the District increased by 30, or 8.5% from the level of activity in FY 14/15.
  - Property Tax revenue increased by \$35,620, or 5.6% over the F/Y 2014/2015 amount. In addition, the District received \$170,502 from payouts through the RDA dissolutions.
  - Investment yields during the F/Y 2015-2016 for the District's General Funds was only \$1,312.89. This performance was down slightly up F/Y 2014-2015. The average interest rate paid by the San Diego County Investment pool refreshed to a 0.7% rate of return in 2015-2016. General Fund resources are kept in the County Treasury for liquidity reasons
- Expenditures: Total expenditures for the year were managed closely despite several large unplanned expenses. Expenses were 1.2 % (\$18,211) under budgeted levels despite spending on the rebuild Canopies at Oak Hill; replacement of irrigation pump and motor at Oak Hill reservoir; new floor in the Oak Hill break room; CemSites Software for District; extensive excavation at San Marcos to prepare a new section.
- Total general operating fund expenditures over revenues for the year was \$117,968, before transfers in and out. However \$184,801 was transferred out of the Capital Outlay Fund in July of 2016.

**Endowment Care Fund:** At the end of the fiscal year the endowment care fund had increased by \$149,175 to a new level of \$3,668,117. This was a 4.2% increase of the total fund. The increase was due to active at-need and pre-need sales. \$122,236 was added to the fund through the sale of interment rights, and \$26,939, net, was added through investment returns.

**Pre-need Fund:** The pre-need fund was increased by \$300,634 or 8.9%, to a total of \$3,062,026. This was the result of the sale of \$460,991 of pre-need services and the receipt of \$53,722 in interest from investments of the fund. The general operating fund received \$213,937 from services that were used from the pre-need fund during the year. \$2,503 was sent to the state as sales tax.

**Capital Outlay Fund:** In the July 2015 Board of Trustees Meeting, the Trustees directed the FY 14/15 excess revenue over expenses, to be moved to the Capital Outlay Fund. The amount was \$210,423. Two Mortgage payments were made in this fiscal year, a total of \$184,801 in payments. \$284,543 was used to complete the Niche Rehabilitation Project at Oak Hill. The fund ended the year at \$349,588.

NORTH COUNTY CEMETERY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued  
 JUNE 30, 2016

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2016, the District had a net increase in capital assets (including additions and deductions) of \$283,000 from last year.

Table 3

<i>(amounts in thousands)</i>	Governmental Activities		\$ Change	\$ Change
	2016	2015		
Land and construction in progress	\$ 2,592	\$ 2,934	\$ (342)	-12%
Buildings and equipment	6,598	5,973	625	10%
Accumulated depreciation	(5,577)	(5,498)	(79)	1%
<b>Total Capital Assets</b>	<b>\$ 3,613</b>	<b>\$ 3,409</b>	<b>\$ 204</b>	<b>6%</b>

District completed the niche rehab to the buildings and equipment. Additionally, there were some equipment disposals.

Long-Term Liabilities

At year-end the District had a \$1.7 million note outstanding, a decrease of seven percent over last year—as shown in Table 4. More detailed information about the District's long-term liabilities is presented in Note 8 to the financial statements.

Only new debt resulted from a slight increase in compensated absences.

Table 4

<i>(amounts in thousands)</i>	Governmental Activities		\$ Change	\$ Change
	2016	2015		
Note payable	\$ 1,702	\$ 1,830	\$ (128)	-7%
Compensated absences	17	17	0	2%
Less current portion	(66)	(64)	(2)	3%
<b>Total Long-term Liabilities</b>	<b>\$ 1,653</b>	<b>\$ 1,783</b>	<b>\$ (130)</b>	<b>-7%</b>

## **NORTH COUNTY CEMETERY DISTRICT**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued JUNE 30, 2016**

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#### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The number of interments in the District increased significantly to 390 in F/Y 2015/2016. The revenue from interments in F/Y 2016/2017 is anticipated to be greater than F/Y 2015/2016. The overall fee schedule for service provided by North County Cemetery District was increased by the Board of Trustees effective August 1, 2015. The property tax revenue for 2016/2017 is budgeted slightly more than the actual revenues from F/Y 2015/2016. Recent data on property sales, State Tax Revenue reports, and San Diego County Treasury reports indicate an improving trend for property tax revenues. However, tax revenues continue to be at risk due to the current State of California Budgeting process. Revenues from investments are expected to be only slightly better than F/Y 2015/16 as the economy, while growing slightly, does not offer much growth in conservative investments such as CD's and Bonds. Depressed interest rates are still the expectation for the next 2 to 3 years.

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

The focus of the management team in F/Y 2015/2016 was on finishing the Niche repairs. With that complete, the focus will be on implementing a new Cemetery Management Software System, and increasing the number of interments in F/Y 2016/2017.

#### **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  
 JUNE 30, 2016

	General Fund	Pre-Need Fund	Capital Projects Fund
<b>ASSETS</b>			
Cash and cash equivalents	\$ 535,838	\$ 1,180,505	\$ 349,588
Accrued receivables	2,948	-	-
Investments	-	2,181,521	-
Nondepreciable capital assets	-	-	-
Depreciable capital assets, net	-	-	-
<b>Total Assets</b>	<b>\$ 538,786</b>	<b>\$ 3,362,026</b>	<b>\$ 349,588</b>
<b>LIABILITIES</b>			
Accrued liabilities	\$ 3,260	\$ -	\$ -
Long-term liabilities, current portion	-	-	-
Long-term liabilities, non-current portion	-	-	-
<b>Total Liabilities</b>	<b>3,260</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES / NET POSITION</b>			
<b>Fund balance</b>			
Non-spendable	200	-	-
Spendable			
Restricted	-	3,359,311	-
Committed	-	-	349,588
Assigned	-	2,715	-
Unassigned	535,326	-	-
<b>Net position</b>			
Net investment in capital assets	-	-	-
Restricted	-	-	-
Unrestricted	-	-	-
<b>Total Fund Balances / Net Position</b>	<b>535,526</b>	<b>3,362,026</b>	<b>349,588</b>
<b>Total Liabilities and Fund Balances / Net Position</b>	<b>\$ 538,786</b>	<b>\$ 3,362,026</b>	<b>\$ 349,588</b>

The accompanying notes are an integral part of these financial statements

<b>Endowment Fund</b>	<b>Total Governmental Funds</b>	<b>Adjustments (Note 2 A.)</b>	<b>Statement of Net Position</b>
\$ 1,889,254	\$ 3,955,185	\$ -	\$ 3,955,185
-	2,948	-	2,948
1,778,863	3,960,384	-	3,960,384
-	-	2,591,506	2,591,506
-	-	1,021,045	1,021,045
<b>\$ 3,668,117</b>	<b>\$ 7,918,517</b>	<b>\$ 3,612,551</b>	<b>\$ 11,531,068</b>
\$ -	\$ 3,260	\$ -	\$ 3,260
-	-	65,690	65,690
-	-	1,653,973	1,653,973
-	3,260	1,719,663	1,722,923
3,190,357	3,190,557	(3,190,557)	-
-	3,359,311	(3,359,311)	-
-	349,588	(349,588)	-
477,760	480,475	(480,475)	-
-	535,326	(535,326)	-
-	-	1,910,228	1,910,228
-	-	6,549,668	6,549,668
-	-	1,348,249	1,348,249
3,668,117	7,915,257	1,892,888	9,808,145
<b>\$ 3,668,117</b>	<b>\$ 7,918,517</b>	<b>\$ 3,612,551</b>	<b>\$ 11,531,068</b>

NORTH COUNTY CEMETERY DISTRICT

GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES &  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	Pre-Need Fund	Capital Projects Fund
<b>REVENUES</b>			
Property taxes	\$ 836,378	\$ -	\$ -
Intergovernmental revenues	18,263	-	-
Charges for services	522,114	460,991	-
Revenue from use of money	26,088	53,722	3,184
Miscellaneous	8,854	2,503	-
<b>Total Revenues</b>	<b>1,411,697</b>	<b>517,216</b>	<b>3,184</b>
<b>EXPENDITURES</b>			
Current			
Salaries	697,246	-	-
Benefits	246,259	-	-
Materials and supplies	91,125	-	-
Services	292,927	2,645	-
Depreciation	-	-	-
Capital outlay	17,307	-	284,543
Debt service			
Principal	127,272	-	-
Interest and other	57,529	-	-
<b>Total Expenditures</b>	<b>1,529,665</b>	<b>2,645</b>	<b>284,543</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(117,968)</b>	<b>514,571</b>	<b>(281,359)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	398,738	-	210,423
Transfers Out	(210,423)	(213,937)	(184,801)
<b>Net Financing Sources (Uses)</b>	<b>188,315</b>	<b>(213,937)</b>	<b>25,622</b>
<b>NET CHANGE IN FUND BALANCE / NET POSITION</b>	<b>70,347</b>	<b>300,634</b>	<b>(255,737)</b>
<b>Fund Balance / Net Position - Beginning</b>	<b>465,179</b>	<b>3,061,392</b>	<b>605,325</b>
<b>Fund Balance / Net Position - Ending</b>	<b>\$ 535,526</b>	<b>\$ 3,362,026</b>	<b>\$ 349,588</b>

The accompanying notes are an integral part of these financial statements

Endowment Fund	Total Governmental Funds	Adjustments (Note 2 B.)	Statement of Activities
\$ -	\$ 836,378	\$ -	\$ 836,378
-	18,263	-	18,263
122,236	1,105,341	-	1,105,341
26,939	109,933	-	109,933
-	11,357	-	11,357
149,175	2,081,272	-	2,081,272
-	697,246	408	697,654
-	246,259	-	246,259
-	91,125	-	91,125
-	295,572	-	295,572
-	-	88,331	88,331
-	301,850	(301,850)	-
-	127,272	(127,272)	-
-	57,529	(20,391)	37,138
-	1,816,853	(360,774)	1,456,079
149,175	264,419	360,774	625,193
-	609,161	(609,161)	-
-	(609,161)	609,161	-
-	-	-	-
149,175	264,419	360,774	625,193
3,518,942	7,650,838	1,532,114	9,182,952
\$ 3,668,117	\$ 7,915,257	\$ 1,892,888	\$ 9,808,145

## NORTH COUNTY CEMETERY DISTRICT

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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#### *NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

##### **1 - A. Financial Reporting Entity**

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

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

##### **1 - B. Other Related Entities**

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

##### **1 - C. Basis of Presentation**

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

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

## NORTH COUNTY CEMETERY DISTRICT

### NOTES TO FINANCIAL STATEMENTS, Continued JUNE 30, 2016

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

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

#### **Major Governmental Funds**

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

**Pre-Need Fund.** The Pre-Need Fund was established to account for the proceeds from "pre-need" activities that are restricted or committed to the financing of pre-need burial services which compose a substantial portion of the inflows of the fund.

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

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

#### **1 - D. Basis of Accounting**

**Government-Wide Financial Statements.** The government-wide financial statements are reported using the economic resources measurement focus. The government-wide, proprietary, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

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

## NORTH COUNTY CEMETERY DISTRICT

### NOTES TO FINANCIAL STATEMENTS, Continued JUNE 30, 2016

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

**Revenues – Exchange and Non-Exchange Transactions.** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 60 days of fiscal year-end.

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

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

#### **1 - E. Assets, Liabilities, and Net Position**

##### **Deposits and Investments**

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

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets.

# NORTH COUNTY CEMETERY DISTRICT

## NOTES TO FINANCIAL STATEMENTS, Continued JUNE 30, 2016

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### Prepaid Items

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

### Capital Assets

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

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

### Compensated Absences

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

### Accrued Liabilities and Long-Term Obligations

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

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

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

### Fund Balance

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

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

## NORTH COUNTY CEMETERY DISTRICT

### NOTES TO FINANCIAL STATEMENTS, Continued JUNE 30, 2016

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*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, 2016. Net Position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. The district-wide financial statements report \$6,549,668 of restricted net position.

#### **Interfund Activity**

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

## NORTH COUNTY CEMETERY DISTRICT

### NOTES TO FINANCIAL STATEMENTS, Continued JUNE 30, 2016

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#### **Estimates**

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

#### **Budgetary Data**

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

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

#### **1 - F. New Accounting Pronouncements**

In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged.

**NORTH COUNTY CEMETERY DISTRICT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2016**

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

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

**Total Fund Balance - Governmental Funds** **\$ 7,915,257**

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	\$ 9,189,852	
Accumulated depreciation	(5,577,301)	3,612,551

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Long-term liabilities:

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

Note payable	1,702,323	
Compensated absences	17,340	(1,719,663)

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**Total Net Position - Governmental Activities** **\$ 9,808,145**

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**NORTH COUNTY CEMETERY DISTRICT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2016**

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

**Net Change in Fund Balances - Governmental Funds** \$ 264,419

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:	301,850	
Depreciation expense:	(88,331)	213,519

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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:

127,272

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:

20,391

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:

(408)

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**Change in net position of Governmental Activities** \$ 625,193

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**NORTH COUNTY CEMETERY DISTRICT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2016**

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***NOTE 3 – DEPOSITS AND INVESTMENTS***

**3 - A. Summary of Deposits and Investments**

	<b>Governmental Activities</b>
Cash on hand	\$ 200
Deposits in financial institutions	271,573
Cash in County	3,683,412
<hr/>	
Total cash and cash equivalents	3,955,185
Investments	3,960,384
<hr/>	
<b>Total</b>	<b>\$ 7,915,569</b>

**3 - B. Policies and Practices**

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

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

**3 - C. General Authorizations**

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

**NORTH COUNTY CEMETERY DISTRICT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2016**

<b>INVESTMENT TYPE</b>	<b>MAXIMUM MATURITY</b>	<b>MAXIMUM SPECIFIED% OF PORTFOLIO</b>	<b>MINIMUM QUALITY REQUIREMENTS</b>
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
State Obligations— CA And Others	5 years	None	None
CA Local Agency Obligations	5 years	None	None
U.S Agency Obligations	5 years	None	None
Bankers' Acceptances	180 days	40%E	None
Commercial Paper— Select Agencies	270 days	25% of the agency's money	"A-1" to "A"
Commercial Paper— Other Agencies	270 days	40% of the agency's money	"A-1" to "A"
Negotiable Certificates of Deposit	5 years	30%	None
Placement Service Deposits	5 years	30%	None
Placement Service Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements and Securities Lending Agreements	92 days	20% of the base value of the portfolio	None
Medium-Term Notes	5 years	30%	"A"
Mutual Funds And Money Market Mutual Funds	N/A	20%	Multiple
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass-Through Securities	5 years	20%	"A"
Bank/Time Deposits	5 years	None	None
County Pooled Investment Funds	N/A	None	None
Joint Powers Authority Pool	N/A	None	Multiple
Local Agency Investment Fund (LAIF)	N/A	None	None
Voluntary Investment Program Fund	N/A	None	None

**3 - D. Interest Rate Risk**

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

**3 - E. Credit Risk**

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

**3 - F. Specific Identification**

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

**NORTH COUNTY CEMETERY DISTRICT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2016**

<u>Investment Type:</u>	<u>S &amp; 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	48%	\$ 3,683,412	\$ 3,687,823
Investments:					
Mutal funds	NA	0	4%	\$ 340,782	\$ 340,782
Corporate bonds	BBB+ <sup>1</sup>	8 - 26	4%	301,794	301,794
Government bonds	AA+	29 - 60	7%	535,459	535,459
Foreign bonds <sup>2</sup>	A to AA-	9 - 17	2%	165,426	165,426
Senior unsecured notes	A to A-	17 - 31	5%	375,566	375,566
Certificates of deposit ("CD")	FDIC	3 - 56	29%	2,241,357	2,241,357
<b>Total investments</b>			52%	\$ 3,960,384	\$ 3,960,384
	<b>Total</b>		100%	\$ 7,643,796	\$ 7,648,207

<sup>1</sup> – Investments in violation of the General Authorization due to having a lower quality risk than allowable.

<sup>2</sup> – Investments in foreign bonds are not allowable.

**3 - G. Custodial Credit Risk – Deposits**

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2016, the District's bank balance of \$265,784 was insured, but \$67,056 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 – ACCRUED RECEIVABLES**

Receivables at June 30, 2016 consisted of the following table. All receivables are considered collectible in full.

	<u>General Fund</u>
Secured property taxes	\$ 883
Secured supplemental	2,009
Other taxes	56
<b>Total</b>	<b>\$ 2,948</b>

**NORTH COUNTY CEMETERY DISTRICT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2016**

**NOTE 5 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	<b>Balance</b>			<b>Balance</b>
	<b>July 01, 2015</b>	<b>Additions</b>	<b>Deductions</b>	<b>June 30, 2016</b>
Land	\$ 2,591,506	\$ -	\$ -	\$ 2,591,506
Construction in progress	342,785	284,543	627,328	-
<b>Non-Depreciable</b>				
<b>Capital Assets</b>	<b>\$ 2,934,291</b>	<b>\$ 284,543</b>	<b>\$ 627,328</b>	<b>\$ 2,591,506</b>
Capital assets being depreciated				
Buildings & improvements	5,399,910	627,328	-	6,027,238
Furniture & equipment	573,046	17,307	19,245	571,108
<b>Total Capital Assets</b>				
Being Depreciated	5,972,956	644,635	19,245	6,598,346
Less Accumulated Depreciation				
Buildings & improvements	4,970,800	79,355	-	5,050,155
Furniture & equipment	527,546	8,976	9,376	527,146
<b>Total Accumulated Depreciation</b>				
	5,498,346	88,331	9,376	5,577,301
<b>Depreciable Capital Assets, net</b>	<b>\$ 474,610</b>	<b>\$ 556,304</b>	<b>\$ 9,869</b>	<b>\$ 1,021,045</b>
<b>Total Capital Assets, net</b>	<b>\$ 3,408,901</b>	<b>\$ 840,847</b>	<b>\$ 637,197</b>	<b>\$ 3,612,551</b>

NORTH COUNTY CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued  
 JUNE 30, 2016

**NOTE 6 – INTERFUND TRANSFERS**

Transfer To Other Funds	Interfund Transfers In		
	General Fund	Capital Projects Fund	Total
General Fund	\$ -	\$ 210,423	\$ 210,423
Pre-Need Fund	213,937	-	213,937
Capital Outlay Fund	184,801	-	184,801
<b>Total Interfund Transfers Out</b>	<b>\$ 398,738</b>	<b>\$ 210,423</b>	<b>\$ 609,161</b>

General Fund Transferred out to Capital Projects Fund of prior year excess of revenue over expenditures in the amount of:	\$ 210,423
Capital Projects Fund transferred to the General Fund the debt service payment:	184,801
Pre-Need Transferred to the General Fund at need money for services in the amount of:	213,937
<b>Total</b>	<b>\$ 609,161</b>

**NOTE 7 – ACCRUED LIABILITIES**

Accrued liabilities at June 30, 2016, consisted of the following:

	General Fund
Repurchase	\$ 3,260

**NOTE 8 – LONG-TERM LIABILITIES**

**8 - A. Long-Term Liabilities Summary**

	Balance July 01, 2015	Additions	Deductions	Balance June 30, 2016	Balance Due In One Year
Note payable	\$ 1,829,595	\$ -	\$ 127,272	\$ 1,702,323	\$ 65,690
Compensated absences	16,932	408	-	17,340	-
<b>Total</b>	<b>\$ 1,846,527</b>	<b>\$ 408</b>	<b>\$ 127,272</b>	<b>\$ 1,719,663</b>	<b>\$ 65,690</b>

**NORTH COUNTY CEMETERY DISTRICT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2016**

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**8 - 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, 2016, are as follows:

<b>Issue Date</b>	<b>Maturity Date</b>	<b>Interest Rate</b>	<b>Original Issue</b>	<b>Note Outstanding June 30, 2015</b>	<b>Note Redeemed</b>	<b>Note Outstanding June 30, 2016</b>
June 3, 2013	July 1, 2027	3.20%	\$ 2,067,306	\$ 1,829,595	\$ 127,272	\$ 1,702,323

**8 - C. Debt Service Requirements to Maturity – Note**

The bonds mature through 2028 as follows:

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 65,690	\$ 27,237	\$ 92,927
2018	133,495	51,321	184,816
2019	137,804	47,015	184,819
2020	142,248	42,571	184,819
2021	146,837	37,983	184,820
2022 - 2026	808,364	115,743	924,107
2027 - 2028	267,885	8,617	276,502
	<b>\$ 1,702,323</b>	<b>\$ 330,487</b>	<b>\$ 2,032,810</b>

**8 - D. Compensated Absences**

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2016, amounted to \$17,340.

**NORTH COUNTY CEMETERY DISTRICT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2016**

**NOTE 9 – FUND BALANCES**

Fund balances are composed of the following elements:

	General Fund	Pre-Need Fund	Capital Projects Fund	Endowment Fund	Total Govt. Funds
Non-spendable					
Non-restricted					
Reserve for revolving cash	\$ 200	\$ -	\$ -	\$ -	\$ 200
Restricted, endowment corpus	-	-	-	3,190,357	3,190,357
Total Nonspendable	200	-	-	3,190,357	3,190,557
Spendable					
Restricted, Pre-need	-	3,359,311	-	-	3,359,311
Committed					
Cemetery developmental funds	-	-	349,588	-	349,588
Assigned					
Pre-need	-	2,715	-	-	2,715
Permanent fund	-	-	-	477,760	477,760
Total Assigned	-	2,715	-	477,760	480,475
Unassigned	535,326	-	-	-	535,326
<b>Total</b>	<b>\$ 535,526</b>	<b>\$ 3,362,026</b>	<b>\$ 349,588</b>	<b>\$ 3,668,117</b>	<b>\$ 7,915,257</b>

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.

**NOTE 10 – EMPLOYEE RETIREMENT SYSTEMS**

**10 - 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.

**10 - B. Retirement Contributions**

Current year contributions to SEP-IRA were \$35,474. The District also matches contributions to FICA currently 7.65% of qualifying wages. The current year payments were \$52,546.

**NORTH COUNTY CEMETERY DISTRICT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2016**

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***NOTE 11 – 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, 2016, the District made payments of \$12,292 and \$31,055, for property and liability; and workers' compensation, respectively.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**NORTH COUNTY CEMETERY DISTRICT**

**GENERAL FUND – BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u>			Variances - Positive / (Negative) Final to Actual
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Actual</u>
<b>REVENUES</b>				
Property taxes	\$ 815,000	\$ 815,000	\$ 836,378	\$ 21,378
Intergovernmental revenues	-	-	18,263	18,263
Charges for services	463,100	463,100	522,114	59,014
Revenue from use of money	35,000	35,000	26,088	(8,912)
Miscellaneous	4,300	4,300	8,854	4,554
<b>Total Revenues</b>	<b>1,317,400</b>	<b>1,317,400</b>	<b>1,411,697</b>	<b>94,297</b>
<b>EXPENDITURES</b>				
Current				
Salaries	716,000	716,000	697,246	18,754
Benefits	233,875	233,875	246,259	(12,384)
Materials and supplies	69,000	69,000	91,125	(22,125)
Services	343,000	344,200	292,927	51,273
Capital outlay	-	-	17,307	(17,307)
Debt service				
Principal	127,272	127,272	127,272	-
Interest and other	57,529	57,529	57,529	-
<b>Total Expenditures</b>	<b>1,546,676</b>	<b>1,547,876</b>	<b>1,529,665</b>	<b>18,211</b>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenditures</b>	(229,276)	(230,476)	(117,968)	112,508
<b>Other Financing Sources (Uses):</b>				
Transfers In	210,000	210,000	398,738	188,738
Transfers Out	-	-	(210,423)	(210,423)
<b>Net Financing Sources (Uses)</b>	<b>210,000</b>	<b>210,000</b>	<b>188,315</b>	<b>(21,685)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(19,276)</b>	<b>(20,476)</b>	<b>70,347</b>	<b>90,823</b>
<b>Fund Balance - Beginning</b>	<b>465,179</b>	<b>465,179</b>	<b>465,179</b>	
<b>Fund Balance - Ending</b>	<b>\$ 445,903</b>	<b>\$ 444,703</b>	<b>\$ 535,526</b>	<b>\$ 90,823</b>

NORTH COUNTY CEMETERY DISTRICT

PRE-NEED FUND – BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>			Variances - Positive / (Negative) Final to Actual
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
Charges for services	\$ 400,000	\$ 400,000	\$ 460,991	\$ 60,991
Revenue from use of money	25,000	25,000	53,722	28,722
Miscellaneous	-	-	2,503	2,503
<b>Total Revenues</b>	<b>425,000</b>	<b>425,000</b>	<b>517,216</b>	<b>92,216</b>
<b>EXPENDITURES</b>				
Current				
Services	1,200	1,200	2,645	(1,445)
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>423,800</b>	<b>423,800</b>	<b>514,571</b>	<b>90,771</b>
<b>Other Financing Uses:</b>				
Transfers Out	-	-	(213,937)	(213,937)
<b>NET CHANGE IN FUND BALANCE</b>	<b>423,800</b>	<b>423,800</b>	<b>300,634</b>	<b>(123,166)</b>
<b>Fund Balance - Beginning</b>	<b>3,061,392</b>	<b>3,061,392</b>	<b>3,061,392</b>	
<b>Fund Balance - Ending</b>	<b>\$ 3,485,192</b>	<b>\$ 3,485,192</b>	<b>\$ 3,362,026</b>	<b>\$ (123,166)</b>

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**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

We 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, 2016, and the related notes to the financial statements, which collectively comprise North County Cemetery District's basic financial statements, and have issued our report thereon dated February 10, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we 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 our 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, we 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.

Our 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 our audit we did not identify any deficiencies in internal control over financial reporting that we 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, 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 entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "R. J. Dennis Accountancy". The signature is written in a cursive style with a large, decorative flourish underneath the name.

February 10, 2017

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