

**NORTH COUNTY
CEMETERY DISTRICT**

**ANNUAL FINANCIAL
REPORT**

JUNE 30, 2018

NORTH COUNTY CEMETERY DISTRICT

OF SAN DIEGO COUNTY

ESCONDIDO, CALIFORNIA

JUNE 30, 2018

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Steven Lochridge	Chair of the Board	January 2021
Tanis Brown	Vice Chair of the Board	January 2020
Sharon Disney	Trustee	January 2023
Richard Hyde	Trustee	January 2021
Thomas S. Knight	Trustee	January 2022

ADMINISTRATION

Dennis Shepard

General Manager

<PAGE INTENTIONALLY LEFT BLANK>

NORTH COUNTY CEMETERY DISTRICT

TABLE OF CONTENTS
JUNE 30, 2018

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 - 33 -
Pre-Need Fund – Budgetary Comparison Schedule - 34 -

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*..... - 37 -

<PAGE INTENTIONALLY LEFT BLANK>

FINANCIAL SECTION

<PAGE INTENTIONALLY LEFT BLANK>

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, 2018, 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.

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, 2018, 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

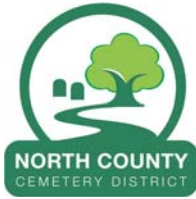
Required Supplementary Information

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 33 and 34, 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 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.

<PAGE INTENTIONALLY LEFT BLANK>



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, 2018. The F/Y 2017/2018 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

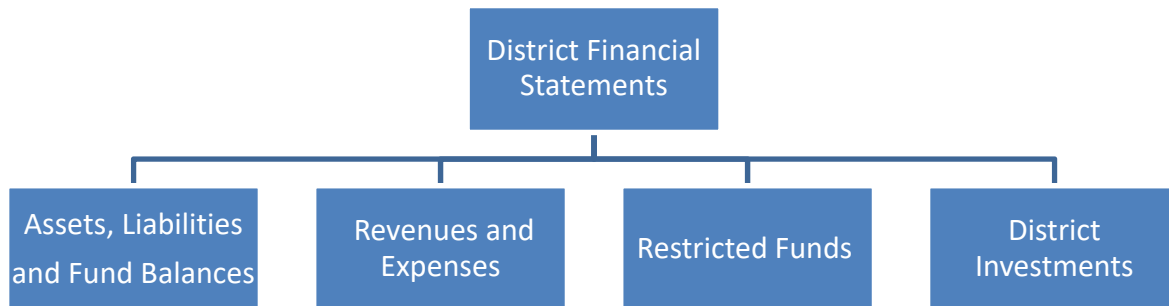
During the year the District's net position increased from \$10.3 million in the previous year to \$11.2 million, an increase of 8%. The District increased all fees by 3% effective August 1, 2017. There also was an increase in the number of services during Fiscal Year 17-18, by 4.9%. The financial growth came from six major sources:

1. Property Tax Income - \$ 980,408: In 17/18 tax year, the total increased by \$74,279.80. Included are some one time payments from the RDA Disillusionment activity. Property Tax revenue actually increased 6.1%.
2. Cemetery Income - \$ 535,819.02: This is slightly down from last year. It includes all the "At Need" services, rental income, and miscellaneous revenues. The reason for the decline is that more services were performed this Fiscal Year that were sold on a Pre-Need basis vs an At-Need basis that last year.
3. Pre-Need Sales of services totaled \$607,273;
4. Endowment Care Fees for all sales, (both Pre-Need and At-Need), totaled \$197,750;
5. A small amount of interest was realized on the Capital Outlay Fund, \$5,209.
6. Investment Income (not including unrealized gains/losses on investments) from the Endowment Care Fund totaled \$65,394, a 1.69% APY.

The Capital Fund was impacted by the annual Land Mortgage payment of \$184,801 and by the purchase of capitalized equipment: security cameras, new dump truck, used golf cart, used utility truck, and major repairs to Oak Hill interior roads. Income came from the sale of "Premium Products" at San Marcos.

NORTH COUNTY CEMETERY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued JUNE 30, 2018



- 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, 2018

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's net position increased between fiscal years 17/18 and 16/17—to \$11.2 million. (See Table 1.)

Table 1

<i>(amounts in thousands)</i>	Governmental Activities		\$ Change	% Change
	2018	2017		
ASSETS				
Current assets	\$ 5,167	\$ 4,356	\$ 811	19%
Noncurrent assets, net	7,499	7,577	(78)	-1%
Total Assets	12,666	11,933	733	6%
LIABILITIES				
Current liabilities	70	73	(3)	-4%
Non-current liabilities	1,383	1,522	(139)	-9%
Total Liabilities	1,453	1,595	(142)	-9%
NET POSITION				
Net investment in capital assets	2,150	1,937	213	11%
Restricted	7,231	6,537	694	11%
Unrestricted	1,832	1,864	(32)	-2%
Total Net Position	\$ 11,213	\$ 10,338	\$ 875	8%

The net position of the District's governmental activities increased eight percent. This was due to some cash and investment increase (due to better performance). Liabilities decreased in 2017/18, 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, 2018

Changes in Net Position

Total revenues, gained modestly from F/Y 17-18, buoyed by better tax revenue, and an increase in burial services during the year. The number of services increased by 2% over the last fiscal year to a total of 390 services performed during this fiscal year. Interest on Investments for F/Y 2017-2018 has remained about the same as compared to last year; total earnings were \$98,543 compared to \$82,805 in FY 2016-2017. The total revenue from property taxes increased by 7%.

Total Expenses, decreased by 2%, (\$25,000) in F/Y 17-18 from F/Y 16-17. Wages (including changes for vacation liability balances) and Health Care costs decreased by 2%, or \$25,000. Supplies & Services spending decreased by \$7,000, or about 4%. 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>	Governmental Activities		\$ Change	% Change
	2018	2017		
REVENUES				
Property taxes	\$ 962	\$ 900	\$ 62	7%
Intergovernmental revenues	19	18	1	6%
Charges for services	1,398	1,131	267	24%
Miscellaneous	105	101	4	4%
Total Revenues	2,484	2,150	334	16%
EXPENSES				
Salaries and benefits	993	1,018	(25)	-2%
Materials and services	436	443	(7)	-2%
Other charges	165	158	7	4%
Total Expenses	1,594	1,619	(25)	-2%
Excess	\$ 874	\$ 531	\$ 343	65%

NORTH COUNTY CEMETERY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued JUNE 30, 2018

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

General Operating Fund:

- Revenues: Total revenue for the FY 17-18 increased from FY 16/17. The FY 17/18 fund balance increased by \$88,002 from the FY17/18.
 - The Board of Trustees voted in July 2017 to increase the District fees by 5%. The total revenue received from Charges for Services decreased by \$2,192. The number of services in the District increased by nineteen, or 4.8% from the level of activity in FY 16/17.
 - Property Tax revenue creased by \$43,329, or 6.1 % over the F/Y 2016/2017 amount. In addition, the District received \$233,886 from payouts through the RDA dissolutions.
 - Investment yields during the F/Y 2017-2018 for all of the District's Funds was \$128,059. This performance was up\$41,041 from F/Y 2016-2017. The interest rate paid by the San Diego County Investment pool refreshed to a 1.9% rate at the end of 2017-2018. General Fund resources are kept in the County Treasury for liquidity reasons
- Expenditures: Total Operating Expenses were \$136,435 under budgeted levels. This was primarily due to a reduced need to purchase irrigation water from the City of Escondido.
- Total General Operating Income revenues that exceeded expenditures for the year was \$183,100

Endowment Care Fund: At the end of the fiscal year the endowment care fund balance had increased by \$230,958 to a new level of \$4,076,773. This was a 6.0% increase of the total fund. The increase was due to active at-need and pre-need sales. \$197,750 was added to the fund through the sale of interment rights, and \$33,208, net, was added through investment returns.

Pre-need Fund: The pre-need fund was increased by \$397,835 or 10.97%, to a total of \$4,025,458. This was the result of the sale of \$607,273 of preneed services and the receipt of \$37,093 in interest and unrealized losses from investments of the fund. The general operating fund received \$243,396 from services that were used from the pre-need fund during the year. \$3,627 was sent to the state as sales tax.

Capital Outlay Fund: In the July 2017 Board of Trustees Meeting, the Trustees directed the FY 16/17 excess revenue over expenses, to be moved to the Capital Outlay Fund. The amount was \$240,445. Two Mortgage payments were made in this fiscal year, a total of \$184,801 payments. \$191,992 was used to for street repairs, improvements and new equipment that included a new dump truck, golf cart, and utility truck. The fund ended the year \$354,944.

NORTH COUNTY CEMETERY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
 JUNE 30, 2018

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, the District had a net increase in capital assets of \$673,244 from last year. The increase was from improvements and equipment and depreciation caused the net reduction of District Assets.

Table 3

<i>(amounts in thousands)</i>	Governmental Activities		\$ Change	\$ Change
	2018	2017		
Land and intangible assets	\$ 2,591	\$ 2,607	\$ (16)	-1%
Buildings and equipment	6,759	6,598	161	2%
Accumulated depreciation	(5,765)	(5,681)	(84)	1%
Total Capital Assets	\$ 3,585	\$ 3,524	\$ 61	2%

Long-Term Liabilities

At year-end the District had a \$1,435,329 note outstanding, a decrease of seven percent 9% 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
	2018	2017		
Note payable	\$ 1,435	\$ 1,571	\$ (136)	-9%
Compensated absences	18	19	(1)	-5%
Less current portion	(70)	(68)	(2)	3%
Total Long-term Liabilities	\$ 1,383	\$ 1,522	\$ (139)	-9%

NORTH COUNTY CEMETERY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued JUNE 30, 2018

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The number of interments in the District increased to 409 in F/Y 2017/2018, and the Board of Trustees increased the overall fees for services by 5% effective August 1, 2018. The revenue from interments in F/Y 2018/2019 is anticipated to be greater than F/Y 2017/2018. The property tax revenue for 2018/2019 is budgeted slightly more than the actual revenues from F/Y 2017/2018. 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 2017/18, 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 2017/2018 was on implementing a new Cemetery Management Software System, and creating an environmental conservancy for the sale of mitigation credits. Efforts will continue on those items as well as increasing the number of interments in F/Y 2018/2019.

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, 2018

	General Fund	Pre-Need Fund	Capital Projects Fund
ASSETS			
Cash and cash equivalents	\$ 618,760	\$ 1,865,721	\$ 354,417
Accrued receivables	4,508	2,484	527
Investments	-	2,157,253	-
Nondepreciable capital assets	-	-	-
Depreciable capital assets, net	-	-	-
Total Assets	\$ 623,268	\$ 4,025,458	\$ 354,944
LIABILITIES			
Long-term liabilities, current portion	\$ -	\$ -	\$ -
Long-term liabilities, non-current portion	-	-	-
Total Liabilities	-	-	-
FUND BALANCES / NET POSITION			
Fund balance			
Non-spendable	200	-	-
Spendable			
Restricted	-	4,025,458	-
Committed	-	-	354,944
Assigned	-	-	-
Unassigned	623,068	-	-
Net position			
Net investment in capital assets	-	-	-
Restricted	-	-	-
Unrestricted	-	-	-
Total Fund Balances / Net Position	623,268	4,025,458	354,944
Total Liabilities and Fund Balances / Net Position	\$ 623,268	\$ 4,025,458	\$ 354,944

The accompanying notes are an integral part of these financial statements

Endowment Fund	Total Governmental Funds	Adjustments (Note 2 A.)	Statement of Net Position
\$ 2,317,324	\$ 5,156,222	\$ -	\$ 5,156,222
3,087	10,606	-	10,606
1,756,362	3,913,615	-	3,913,615
-	-	2,591,506	2,591,506
-	-	993,938	993,938
\$ 4,076,773	\$ 9,080,443	\$ 3,585,444	\$ 12,665,887
\$ -	\$ -	\$ 69,995	\$ 69,995
-	-	1,383,405	1,383,405
-	-	1,453,400	1,453,400
3,205,845	3,206,045	(3,206,045)	-
-	4,025,458	(4,025,458)	-
-	354,944	(354,944)	-
870,928	870,928	(870,928)	-
-	623,068	(623,068)	-
-	-	2,150,115	2,150,115
-	-	7,237,265	7,237,265
-	-	1,825,107	1,825,107
4,076,773	9,080,443	2,132,044	11,212,487
\$ 4,076,773	\$ 9,080,443	\$ 3,585,444	\$ 12,665,887

NORTH COUNTY CEMETERY DISTRICT

GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES &
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Pre-Need Fund	Capital Projects Fund
REVENUES			
Property taxes	\$ 961,884	\$ -	\$ -
Intergovernmental revenues	18,524	-	-
Charges for services	593,079	607,273	-
Revenue from use of money	23,033	37,093	5,209
Miscellaneous	6,645	492	-
Total Revenues	1,603,165	644,858	5,209
EXPENDITURES			
Current			
Salaries	742,994	-	-
Benefits	250,707	-	-
Materials and supplies	106,154	-	-
Services	326,408	3,627	-
Depreciation	-	-	-
Capital outlay	1,202	-	191,992
Debt service			
Principal	-	-	135,616
Interest and other	-	-	49,185
Total Expenditures	1,427,465	3,627	376,793
Excess (Deficiency) of Revenues			
Over Expenditures	175,700	641,231	(371,584)
OTHER FINANCING SOURCES (USES)			
Transfers In	243,396	-	331,094
Transfers Out	(331,094)	(243,396)	-
Special items	-	-	-
Net Financing Sources (Uses)	(87,698)	(243,396)	331,094
NET CHANGE IN FUND BALANCE /			
NET POSITION	88,002	397,835	(40,490)
Fund Balance /			
Net Position - Beginning	535,266	3,627,623	395,434
Fund Balance / Net Position - Ending	\$ 623,268	\$ 4,025,458	\$ 354,944

The accompanying notes are an integral part of these financial statements

Endowment Fund	Total Governmental Funds	Adjustments (Note 2 B.)	Statement of Activities
\$ -	\$ 961,884	\$ -	\$ 961,884
-	18,524	-	18,524
197,750	1,398,102	-	1,398,102
33,208	98,543	-	98,543
-	7,137	-	7,137
230,958	2,484,190	-	2,484,190
-	742,994	(917)	742,077
-	250,707	-	250,707
-	106,154	-	106,154
-	330,035	-	330,035
-	-	116,074	116,074
-	193,194	(193,194)	-
-	135,616	(135,616)	-
-	49,185	-	49,185
-	1,807,885	(213,653)	1,594,232
230,958	676,305	213,653	889,958
-	574,490	(574,490)	-
-	(574,490)	574,490	-
-	-	(15,764)	(15,764)
-	-	(15,764)	(15,764)
230,958	676,305	197,889	874,194
3,845,815	8,404,138	1,934,155	10,338,293
\$ 4,076,773	\$ 9,080,443	\$ 2,132,044	\$ 11,212,487

NORTH COUNTY CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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, 2018

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, 2018

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

Fair Value. 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; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District has their portfolio recurring fair value measurements, see Note 3 for more detail.

Acquisition Value. The price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date, or the amount at which a liability could be liquidated with the counterparty at the acquisition date.

NORTH COUNTY CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued JUNE 30, 2018

Deposits and Investments.

Much of the cash balances are pooled and invested by the San Diego County Treasurer for the purpose of increasing earnings through investment activities. The pool's investments are reported at fair value at June 30, 2018, based on market prices. The individual funds' portions of the pool's fair value are presented as "Cash in County." Earnings on the pooled funds are apportioned and paid or credited to the funds quarterly based on the average daily balance of each participating fund.

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, 2018

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, 2018. 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 \$7,237,265 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, 2018

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

The Governmental Accounting Standards Board (“GASB”) has issued the following standards:

- ❖ Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged.
- ❖ GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer’s pension liability is measured as of a date other than the employer’s most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged.
- ❖ GASB Statement No. 84, *Fiduciary Activities*. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.
- ❖ GASB Statement No. 85, *Omnibus 2017*. The provisions of this Statement are effective for periods beginning after June 15, 2017. Earlier application is encouraged.
- ❖ GASB Statement No. 87, *Leases*. Effective Date: For reporting periods beginning after December 15, 2019.

NORTH COUNTY CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2018

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 \$ 9,080,443

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	\$ 9,350,759	
Accumulated depreciation	(5,765,315)	3,585,444

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	1,435,329	
Compensated absences	18,071	(1,453,400)

Total Net Position - Governmental Activities **\$ 11,212,487**

NORTH COUNTY CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2018

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

Net Change in Fund Balances - Governmental Funds **\$ 676,305**

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:	\$ 193,194	
Depreciation expense:	(116,074)	77,120

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:

135,616

Gain or loss from the disposal of capital assets:

In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain or loss is:

(15,764)

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:

917

Change in net position of Governmental Activities **\$ 874,194**

NORTH COUNTY CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2018

NOTE 3 – DEPOSITS AND INVESTMENTS

3 - A. Summary of Deposits and Investments

	Governmental Activities
Cash on hand	\$ 200
Deposits in financial institutions	319,943
Cash in County	4,836,079
<hr/>	
Total cash and cash equivalents	5,156,222
Investments	3,913,615
<hr/>	
Total	\$ 9,069,837

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. 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, 2018, the District's bank balances of \$352,252 was insured.

NORTH COUNTY CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2018

3 - D. 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.

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

3 - E. 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 - F. 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 - G. 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, 2018

Portfolio	S & P Rating	Percent of Total	Reported Value	Fair Market Value	Maturities in years	
					< 1	1 - 5
Cash in county	AAAf / S1	55%	\$ 4,836,079	\$ 4,804,807	\$ 4,804,807	\$ -
U. S. Agency obligations	AA+	5%	447,326	447,326	-	447,326
Medium-term notes ¹	A- through AAA	10%	891,665	891,665	194,692	696,973
Certificates of deposit ("CD")	FDIC	30%	2,574,624	2,574,624	1,570,202	1,004,422
Total portfolio		100%	\$ 8,749,694	\$ 8,718,422	\$ 6,569,701	\$ 2,148,721

3 - H. Custodial Credit Risk – Investments

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the District's \$8,749,694 portfolio, \$3,913,615 of underlying securities are held by the investment's counterparty.

There is a risk that, in the event of a counterparty failure, the District's investments may not be returned. As of June 30, 2018, of the total portfolio balance, \$1,000,000 was insured through the Securities Investor Protection Corporation ("SIPC"). The remaining \$2,913,615 was collateralized with pooled securities held by the financial institutions' trust departments. These securities are held in the name of the financial institution and not that of the District.

NOTE 4 – ACCRUED RECEIVABLES

Receivables at June 30, 2018 consisted of the following table. All receivables are considered collectible in full.

	General Fund	Pre-Need Fund	Capital Projects Fund	Endowment Care Fund	Total Governmental Activities
Property taxes	\$ 3,788	\$ -	\$ -	\$ -	\$ 3,788
Interest	720	2,484	527	3,087	6,818
Total	\$ 4,508	\$ 2,484	\$ 527	\$ 3,087	\$ 10,606

NORTH COUNTY CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2018

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	Balance				Balance	
	July 01, 2017	Additions	Deductions		June 30, 2018	
Land	\$ 2,591,506	\$ -	\$ -		\$ 2,591,506	
Intangible assets	15,764	-	15,764		-	
Non-Depreciable Capital Assets	\$ 2,607,270	\$ -	\$ 15,764		\$ 2,591,506	
Capital assets being depreciated						
Buildings & improvements	\$ 6,027,238	\$ 94,639	\$ -		\$ 6,121,877	
Furniture & equipment	571,108	98,555	32,287		637,376	
Total Capital Assets Being Depreciated	6,598,346	193,194	32,287		6,759,253	
Less Accumulated Depreciation						
Buildings & improvements	5,148,601	103,884	-		5,252,485	
Furniture & equipment	532,927	12,190	32,287		512,830	
Total Accumulated Depreciation	5,681,528	116,074	32,287		5,765,315	
Depreciable Capital Assets, net	\$ 916,818	\$ 77,120	\$ -		\$ 993,938	
Total Capital Assets, net	\$ 3,524,088	\$ 77,120	\$ 15,764		\$ 3,585,444	

NOTE 6 – INTERFUND TRANSFERS

Transfer To Other Funds	Interfund Transfers In		
	General Fund	Capital Projects Fund	Total
General Fund	\$ -	\$ 331,094	\$ 331,094
Pre-Need Fund	243,396	-	243,396
Total Interfund Transfers Out	\$ 243,396	\$ 331,094	\$ 574,490

General Fund Transferred out to Capital Projects Fund of prior year excess of revenue over expenditures in the amount of:	\$	331,094
Pre-Need Transferred to the General Fund at need money for services in the amount of:		243,396
Total	\$	574,490

NORTH COUNTY CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
 JUNE 30, 2018

NOTE 7 – LONG-TERM LIABILITIES

7 - A. Long-Term Liabilities Summary

	<u>Balance</u> <u>July 01, 2017</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Balance Due</u> <u>In One Year</u>
Note payable	\$ 1,570,945	\$ 135,616	\$ 1,435,329	\$ 69,995
Compensated absences	18,988	917	18,071	-
Total	\$ 1,589,933	\$ 136,533	\$ 1,453,400	\$ 69,995

7 - B. Note Payable

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

The annual requirements to amortize the note payable outstanding as of June 30, 2018, are as follows:

<u>Issue</u> <u>Date</u>	<u>Maturity</u> <u>Date</u>	<u>Interest</u> <u>Rate</u>	<u>Original</u> <u>Issue</u>	<u>Note</u> <u>Outstanding</u> <u>June 30, 2017</u>	<u>Note</u> <u>Outstanding</u> <u>June 30, 2018</u>
June 3, 2013	July 1, 2027	3.20%	\$ 2,067,306	\$ 1,570,945	\$ 1,435,329

7 - C. Debt Service Requirements to Maturity – Note

The bonds mature through 2028 as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 69,995	\$ 22,965	\$ 92,960
2020	142,248	42,571	184,819
2021	146,837	37,983	184,820
2022	151,573	33,247	184,820
2023	156,462	28,358	184,820
2024 - 2027	768,214	62,754	830,968
	\$ 1,435,329	\$ 227,878	\$ 1,663,207

7 - D. Compensated Absences

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2018, amounted to \$18,071, which is to be paid out of the General Fund.

NORTH COUNTY CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2018

NOTE 8 – FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Pre-Need Fund	Capital Projects Fund	Endowment Fund	Total Govt. Funds
Non-spendable					
Non-restricted					
Reserve for revolving cash	\$ 200	\$ -	\$ -	\$ -	\$ 200
Restricted, endowment corpus	-	-	-	3,205,845	3,205,845
Total Nonspendable	200	-	-	3,205,845	3,206,045
Spendable					
Restricted, Pre-need	-	4,025,458	-	-	4,025,458
Committed					
Cemetery developmental funds	-	-	354,944	-	354,944
Assigned					
Permanent fund	-	-	-	870,928	870,928
Total Assigned	-	-	-	870,928	870,928
Unassigned	623,068	-	-	-	623,068
Total	\$ 623,268	\$ 4,025,458	\$ 354,944	\$ 4,076,773	\$ 9,080,443

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 9 – EMPLOYEE RETIREMENT SYSTEMS

9 - A. Cafeteria Plan Arrangements

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

9 - B. Retirement Contributions

Current year contributions to SEP-IRA were \$42,893.

NORTH COUNTY CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2018

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, 2018, the District made payments of \$15,577 and \$47,299, for property and liability; and workers' compensation, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

<PAGE INTENTIONALLY LEFT BLANK>

NORTH COUNTY CEMETERY DISTRICT

GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>			Variances -
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Positive / (Negative) Final to Actual
REVENUES				
Property taxes	\$ 920,000	\$ 920,000	\$ 961,884	\$ 41,884
Intergovernmental revenues	-	-	18,524	18,524
Charges for services	629,500	629,500	593,079	(36,421)
Revenue from use of money	-	-	23,033	23,033
Miscellaneous	7,000	7,000	6,645	(355)
Total Revenues	1,556,500	1,556,500	1,603,165	46,665
EXPENDITURES				
Current				
Salaries	739,000	739,000	742,994	(3,994)
Benefits	269,000	269,000	250,707	18,293
Materials and supplies	83,000	83,000	106,154	(23,154)
Services	467,900	467,900	326,408	141,492
Capital outlay	5,000	5,000	1,202	3,798
Total Expenditures	1,563,900	1,563,900	1,427,465	136,435
Excess (Deficiency) of Revenues				
Over Expenditures	(7,400)	(7,400)	175,700	183,100
Other Financing Sources (Uses):				
Transfers In	213,000	-	243,396	243,396
Transfers Out	-	-	(331,094)	(331,094)
Net Financing Sources (Uses)	213,000	-	(87,698)	(87,698)
NET CHANGE IN FUND BALANCE	205,600	(7,400)	88,002	95,402
Fund Balance - Beginning	535,266	535,266	535,266	
Fund Balance - Ending	\$ 740,866	\$ 527,866	\$ 623,268	\$ 95,402

NORTH COUNTY CEMETERY DISTRICT

PRE-NEED FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts			Actual	Variances - Positive / (Negative) Final to Actual
	Original	Final			
REVENUES					
Charges for services	\$ 448,000	\$ 448,000	\$ 607,273	\$ 159,273	
Revenue from use of money	-	-	37,093	37,093	
Miscellaneous	-	-	492	492	
Total Revenues	448,000	448,000	644,858	196,858	
EXPENDITURES					
Current					
Services	-	-	3,627	(3,627)	
Excess (Deficiency) of Revenues					
Over Expenditures	448,000	448,000	641,231	193,231	
Other Financing Uses:					
Transfers Out	(213,000)	(213,000)	(243,396)	(30,396)	
NET CHANGE IN FUND BALANCE	235,000	235,000	397,835	162,835	
Fund Balance - Beginning	3,627,623	3,627,623	3,627,623		
Fund Balance - Ending	\$ 3,862,623	\$ 3,862,623	\$ 4,025,458	\$ 162,835	

OTHER INDEPENDENT AUDITOR'S REPORT

<PAGE INTENTIONALLY LEFT BLANK>

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, 2018, 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 .

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.

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.

<PAGE INTENTIONALLY LEFT BLANK>