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Tim Deutsch  
General Manager

## ORANGE COUNTY CEMETERY DISTRICT

December 18, 2014

Wendy Giltner  
County of Orange  
Auditor-Controller  
P.O. Box 567  
Santa Ana, CA 92702

Re: Orange County Cemetery District  
Dept. V754

Enclosed please find the independent auditor's report for the Orange County Cemetery District for year ending June 30, 2014.

Sincerely,

Dianna Torrence  
Assistant to the General Manager

Encl.

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### CEMETERY LOCATIONS

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Anaheim Cemetery  
1400 E. Sycamore St.  
Anaheim, CA 92805  
(714) 535-4928

El Toro Memorial Park  
25751 Trabuco Rd.  
Lake Forest, CA 92630  
(949) 951-8244

Santa Ana Cemetery  
1919 E. Santa Clara Ave.  
Santa Ana, CA 92705  
(714) 953-2959

**ORANGE COUNTY CEMETERY DISTRICT**

**Financial Statements,  
Independent Auditors' Report**

**For the Year Ended June 30, 2014**

**ORANGE COUNTY CEMETERY DISTRICT**  
**FINANCIAL STATEMENTS WITH INDEPENDENT AUDITORS' REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
Orange County Cemetery District  
Lake Forest, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Orange County Cemetery District (District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the 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.

### *Auditors' 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 the District, as of June 30, 2014, 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.

## ***Emphasis of Matter***

As described in Note 2 to the financial statements, in FY 2013-14, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 11 and 34 through 36 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 Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of general fund expenditures is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Vannich Train, Day & Co., LLP*

Laguna Hills, California  
November 25, 2014

**ORANGE COUNTY CEMETERY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2014**

As management of the Orange County Cemetery District, we offer readers of the Orange County Cemetery District's financial statements this narrative overview and analysis of the financial activities of the Orange County Cemetery District for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with the District's basic financial statements, which follow this discussion.

**Financial Highlights**

- The assets of the Orange County District exceeded its liabilities, at June 30, 2014, by \$27,042,708 (*net position*). Of this amount, \$7,829,211 (*unrestricted*) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of June 30, 2014, the Orange County Cemetery District's governmental funds reported combined ending fund balances of \$20,541,696, an increase of \$1,905,917. Approximately 7.7% of this total amount, \$1,580,141 is *available for spending* at the government's discretion (*unassigned fund balance*).

**Overview of the Financial Statements**

Management's discussion and analysis is intended to serve as an introduction to the Orange County Cemetery District's basic financial statements. The Orange County Cemetery District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements**

The *government-wide financial statements* are designed to provide readers with a broad overview of the Orange County Cemetery District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Orange County Cemetery District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Orange County Cemetery District is improving or deteriorating.

**ORANGE COUNTY CEMETERY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)  
June 30, 2014**

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying events giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statement presents information about the functions of the Orange County Cemetery District that is principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the Orange County Cemetery District include the operation and maintenance of the cemetery grounds in its service area which includes the entire County of Orange. Cemeteries are located in the Cities of Anaheim, Lake Forest, and Santa Ana.

### **Fund Financial Statements**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Orange County Cemetery District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Orange County Cemetery District only has governmental funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances on spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may be better understanding the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Orange County Cemetery District maintains various individual government funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Pre-Need Trust Special Revenue Fund, Endowment Care Income Special Revenue Fund and the Endowment Care Principal Permanent Fund; all of which are considered to be major funds.



**ORANGE COUNTY CEMETERY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)  
June 30, 2014**

**Fund Financial Statements (Continued)**

The Orange County Cemetery District adopts by resolution an annual appropriated budget for its General Fund, Pre-Need Trust Special Revenue Fund and Endowment Care Income Special Revenue Fund. Budgetary comparison schedules have been provided for the General Fund, Pre-Need Trust Special Revenue Fund and Endowment Care Special Revenue Fund to demonstrate compliance with this budget.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* consisting of budgetary comparison schedules for the general fund and major special revenue funds. There is some additional supplementary information provided in the schedule of general fund expenditures.

**Government-Wide Financial Analysis**

The net position for the Orange County Cemetery District increased over prior year by \$1,790,988 at June 30, 2014. The government-wide financial statements provide long-term and short-term information about the District's overall financial condition. This analysis addresses the financial statements of the District as a whole.

The District has 24% of the net position in capital assets (e.g., and buildings, machinery and equipment). The Orange County Cemetery District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

The District has 47% of the net position that are restricted for the perpetual care of the cemetery grounds. These funds are invested and will continue to earn interest income which can eventually be used for the maintenance and operation of the District's cemeteries.

**ORANGE COUNTY CEMETERY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)  
June 30, 2014**

Condensed Statement of Net Position  
June 30:

	<u>2013</u>	<u>2014</u>
<b>Assets:</b>		
Current and other assets	\$20,730,685	\$22,897,063
Capital assets	<u>6,812,261</u>	<u>6,624,535</u>
<b>Total Assets</b>	<u>27,542,946</u>	<u>29,521,598</u>
<b>Liabilities:</b>		
Long-term liabilities outstanding	253,721	212,745
Other liabilities	<u>2,037,505</u>	<u>2,266,145</u>
<b>Total Liabilities</b>	<u>2,291,226</u>	<u>2,478,890</u>
<b>Net Position:</b>		
Investment in capital assets	6,812,261	6,624,535
Restricted for:		
Non-Expendable - Endowment Principal	6,247,252	6,647,921
Expendable – Maintenance	5,550,398	5,941,041
Unrestricted	<u>6,641,809</u>	<u>7,829,211</u>
<b>Total Net Position</b>	<u>\$25,251,720</u>	<u>\$27,042,708</u>

A significant portion of the Orange County Cemetery District's net position 47% represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$7,829,211) may be used to meet the government's ongoing obligations to citizens and creditors.

The current and other assets increased by \$2,166,378 primarily due to increased interment space sales and interment services, endowment and service fee increases beginning in July 2013, and increased interest earnings (primarily in the Endowment Care Income Fund).

At the end of the current fiscal year, the Orange County Cemetery District is able to report positive balances in all three categories of net position for the governmental activities.

**Governmental Activities**

Governmental activities increased the Orange County Cemetery District's net position by \$1,790,988 thereby accounting for the increase in the net position of the Orange County Cemetery District.

**ORANGE COUNTY CEMETERY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)  
June 30, 2014**

Summary of Changes in Net Position  
For the year ended June 30:

	Governmental Activities	
	2013	2014
<b>Revenues:</b>		
<b>Program Revenues:</b>		
Charges for services	\$ 2,146,576	\$ 2,567,524
Endowment fees	286,651	362,850
<b>General Revenues:</b>		
Property taxes	1,672,911	1,677,624
Investment income	221,947	463,096
Other revenues	174,246	71,800
<b>Total Revenues</b>	<b>4,502,331</b>	<b>5,142,894</b>
<b>Expenses:</b>		
<b>Cemetery Operations:</b>		
Salaries and employee benefits	1,909,212	2,026,598
Services and supplies	983,175	979,405
Depreciation expense	328,681	345,903
<b>Total Expenses</b>	<b>3,221,068</b>	<b>3,351,906</b>
Change in Net Position	1,281,263	1,790,988
Net Position – Beginning of Year	23,970,457	25,251,720
Net Position – End of Year	<u>\$ 25,251,720</u>	<u>\$ 27,042,708</u>

The overall change in net position has increased from the prior year from \$1,281,263 to \$1,790,988. This was primarily due to an increase in the number of interments over the prior year, increased fees beginning in July 2013, and increased investment, offset by an increase in operational expenses.

The total program revenues increased by 20.4% due to the higher number of interments and interment space sales in the current fiscal year and an increase in pricing, effective July 2013.

Depreciation expense increased by 5.2% due to regular depreciation and the acquisition of new equipment in the current fiscal year.

**ORANGE COUNTY CEMETERY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)  
June 30, 2014**

**Financial Analysis of the Government's Funds**

As noted earlier, the Orange County Cemetery District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the Orange County Cemetery District's *governmental* funds is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Orange County Cemetery District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of government's net resources available for spending at the end of the fiscal year.

General Fund

Fund balance in the General Fund increased by \$1,114,283 for the fiscal year, primarily as a result of increased interment space sales and interments services.

Pre-Need Trust

Fund balance in the Pre-Need Trust fund increased \$322 primarily as a result of investment income.

Endowment Care Income Fund

Fund balance in the Endowment Care Income Fund increased \$390,643 as a result of investment income of \$355,394 and an increase in the fair market value of \$35,579.

Endowment Care Principal Fund

Fund balance in the Endowment Care Principal Fund increased by \$400,669 as a result of increased interment space sales and the associated endowment fees.

**ORANGE COUNTY CEMETERY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)  
June 30, 2014**

**General Fund Budget Highlights**

Differences between the original and final budget and the actual amounts can be briefly summarized as follows:

- Operating revenues (Interment space sales and services) were \$33,919 (1.5%) less than estimated revenue due to the reclassification of Pre-Need fund's services used in the fiscal year as Transfers In instead of operating revenues. The budget amount included the revenue that is now classified as Transfers In (\$280,571); therefore, the combined variance was \$246,652 (10.8%) more than estimated revenues. The variance was due to an increase in both interment space sales and interment services, primarily at El Toro Memorial Park.
- Property tax revenues were \$49,588 (3.1%) more than estimated revenue due to an increase in property tax collections by the County.
- Investment Income in was slightly less than budget due to the County's lower than anticipated rate of return.
- Salary and benefits expenditures were just \$58,093 (2.9%) more than the budgeted amount, due to the payments of the OCERS retirement stipend and annual leave payouts. The payment of the OCERS retirement stipend was made to offset the new contract requirements for employee contributions, effective July 2013. Also per the new contract, the maximum leave hours were reduced and payouts were made to reduce employees' balances to the new maximum; the annual leave payout permanently reduced the amount of compensated absences for future years.
- Services & Supplies expenditures were more than budget by \$102,673 (11.9%), due to unexpected expenditures in legal services, utilities, office supplies, and re-sale item purchase (special department) expenditures. Legal services were more than budget due to the use of a labor negotiator, and utilities were more than budget due to hotter weather requiring higher water usage. Office supplies were more than budget due to the purchase of IT supplies to repair server connection issues. Special department expenditures were more than budget due to the timing and necessity of the purchase of re-sale items by the District.
- The Capital expenditures were less than budget by \$357,438 (68.2%) due to the delay in the new Santa Ana Water Well Development to FY 2014-2015.

**ORANGE COUNTY CEMETERY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)  
June 30, 2014**

**Capital Asset and Debt Administration**

**Capital Assets**

The Orange County Cemetery District's investment in capital assets for its governmental activities as of June 30, 2014, amounts to \$6,624,535 (net of accumulated depreciation).

In 2013-14 the following projects were completed:

- Cem-Safe Kiosks at Santa Ana and Anaheim Cemeteries
- El Toro Asphalt Project
- Anaheim Mausoleum Restoration

**Debt Administration**

At the end of the current fiscal year, the Orange County Cemetery District's only long-term liability was employee compensated absences of \$212,745.

**Economic Factors and Next Year's Budgets and Rates**

The key assumptions in the General Fund revenue forecast for fiscal year 2014-15 were:

- Included approved service and space fee increases based on market changes and inflation (effective July 3, 2014).
- Only factored a slight decrease in the number of lot sales and services based on 2013-14 actual lot sales and services and available space.
- Factored a 3% increase in property tax revenue based on County of Orange projections.
- County Investments were based on an average of less than 1% rate of return.
- Factored merit increases for employees who have not reached their top step. The merit increases will also affect retirement contributions.
- Factored retirement employer contribution rate decrease from 19.09% to 12.34% due to the payment of \$1,663,292 on July 1, 2014 to prefund the District's estimated Unfunded Actuarial Accrued Liability (UAAL) with OCERS.
- Increase in the employee share from 25% to 50% of the employee's retirement contribution rate paid to OCERS; offset by a 4% Non-Pensionable Stipend to all employees based on salary as of July 1.

**ORANGE COUNTY CEMETERY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)  
June 30, 2014**

- Factored in a range of 4-5% for medical insurance costs increases as anticipated by the County of Orange Benefits Department.
- Decrease in Professional Services and Maintenance of Buildings and Grounds accounts.
- Included a 5% Economic Uncertainty Fund
- Two Capital Improvement projects scheduled: Santa Ana Cemetery Water Well Development and El Toro Memorial Park Concrete Curb, Entrance and Dirt Compound Project.

All of these factors were considered in preparing the Orange County Cemetery District's annual operating budget for 2014-15 fiscal year.

**Requests for Information**

This financial report is designed to provide a general overview of the Orange County Cemetery District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Orange County Cemetery District, 25751 Trabuco Road, Lake Forest, California 92630-4348.

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**BASIC FINANCIAL STATEMENTS**

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**ORANGE COUNTY CEMETERY DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2014**

	<u>Governmental Activities</u>
<b>Assets:</b>	
Cash and investments	\$ 15,782,952
Cash in bank	31,904
Imprest cash	800
Accounts receivable	134,848
Taxes receivable, including interest, penalties and liens	28,353
Interest receivable	62,308
Due from other governmental agencies	8,922
Prepaid items	199,055
Restricted assets:	
Cash and investments	6,647,921
Capital assets not being depreciated	250,866
Capital assets being depreciated, net	<u>6,373,669</u>
Total Assets	<u>29,521,598</u>
<b>Liabilities:</b>	
Accounts payable	35,291
Accrued payroll	87,638
Due to other governmental agencies	42,060
Pre-need deposits	2,101,156
Compensated absences payable - due within one year	141,000
Noncurrent liabilities	
Compensated absences payable - due in more than one year	<u>71,745</u>
Total Liabilities	<u>2,478,890</u>
<b>Net Position (Note 9):</b>	
Investment in capital assets	6,624,535
Restricted for:	
Nonexpendable - Endowment principal	6,647,921
Expendable - Maintenance	5,941,041
Unrestricted	<u>7,829,211</u>
Total Net Position	<u>\$ 27,042,708</u>

See accompanying Notes to the Financial Statements.

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**ORANGE COUNTY CEMETERY DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Governmental Activities</u>
<b>Expenses:</b>	
Cemetery operations:	
Salaries and employee benefits	\$ 2,026,598
Services and supplies	979,405
Depreciation expense	<u>345,903</u>
Total Expenses	<u>3,351,906</u>
<b>Program revenues:</b>	
Charges for services:	
Interment space sales, interment services and other sales	2,567,524
Endowment fees	<u>362,850</u>
Total Program Revenues	<u>2,930,374</u>
Net Program Expenses	<u>421,532</u>
<b>General revenues:</b>	
Property taxes	1,677,624
Investment income	463,096
Other revenues	<u>71,800</u>
Total General Revenues	<u>2,212,520</u>
Change in Net Position	1,790,988
Net Position, Beginning	<u>25,251,720</u>
Net Position, Ending	<u><u>\$ 27,042,708</u></u>

See accompanying Notes to the Financial Statements.

**ORANGE COUNTY CEMETERY DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014**

	Special Revenue Funds		
	General Fund	Pre-Need Trust	Endowment Care Income
<b>Assets:</b>			
Cash and investments	\$ 7,339,642	\$ 2,558,462	\$ 5,884,848
Cash in bank	31,904	-	-
Imprest cash	800	-	-
Restricted cash and investments	-	-	-
Accounts receivable	134,848	-	-
Taxes receivable	28,334	19	-
Interest receivable	3,160	2,941	56,207
Due from other governmental agencies	8,922	-	-
Prepaid items	199,055	-	-
<b>Total Assets</b>	<b>\$ 7,746,665</b>	<b>\$ 2,561,422</b>	<b>\$ 5,941,055</b>
<b>Liabilities, deferred inflows of resources, and fund balances:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 35,291	\$ -	\$ -
Accrued payroll	87,638	-	-
Due to other county funds	1,873	20	14
Due to other governmental agencies	40,153	-	-
Pre-need deposits	-	2,101,156	-
<b>Total Liabilities</b>	<b>164,955</b>	<b>2,101,176</b>	<b>14</b>
<b>Deferred inflows of resources:</b>			
Unavailable installment sale revenue	89,222	-	-
<b>Fund Balances (Note 8):</b>			
Nonspendable	199,055	-	-
Restricted	-	-	5,941,041
Committed	4,050,000	-	-
Assigned	1,663,292	460,246	-
Unassigned	1,580,141	-	-
<b>Total Fund Balances</b>	<b>7,492,488</b>	<b>460,246</b>	<b>5,941,041</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 7,746,665</b>	<b>\$ 2,561,422</b>	<b>\$ 5,941,055</b>

See accompanying Notes to the Financial Statements.

Permanent Fund		Total Governmental Funds
Endowment Care Principal		
\$	-	\$ 15,782,952
	-	31,904
	-	800
	6,647,921	6,647,921
	-	134,848
	-	28,353
	-	62,308
	-	8,922
	-	199,055
<u>\$</u>	<u>6,647,921</u>	<u>\$ 22,897,063</u>

\$	-	\$ 35,291
	-	87,638
	-	1,907
	-	40,153
	-	2,101,156
	-	<u>2,266,145</u>

	-	<u>89,222</u>
	6,647,921	6,846,976
	-	5,941,041
	-	4,050,000
	-	2,123,538
	-	1,580,141
	<u>6,647,921</u>	<u>20,541,696</u>
<u>\$</u>	<u>6,647,921</u>	<u>\$ 22,897,063</u>

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**ORANGE COUNTY CEMETERY DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2014**

Fund balances for governmental funds	\$ 20,541,696
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	6,624,535
Certain receivables are not available to pay for current period expenditures and therefore are reflected as deferred inflow of resources in the governmental funds	89,222
Long-term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities.	<u>(212,745)</u>
Net position of governmental activities	<u><u>\$ 27,042,708</u></u>

See accompanying Notes to the Financial Statements.

**ORANGE COUNTY CEMETERY DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014**

	General Fund	Special Revenue Funds	
		Pre-Need Trust	Endowment Care Income
<b>Revenues:</b>			
Property taxes	\$ 1,677,624	\$ -	\$ -
Interment space sales, interment services and other sales	2,255,417	280,286	-
Endowment fees	-	-	-
Investment income	27,006	10,324	355,394
Net increase (decrease) in fair value of investments	4,973	(7,999)	35,579
Other revenues	71,800	-	-
<b>Total Revenues</b>	<b>4,036,820</b>	<b>282,611</b>	<b>390,973</b>
<b>Expenditures:</b>			
Current:			
Salaries and employee benefits	2,067,574	-	-
Services and supplies	969,173	1,718	330
Capital outlay	166,361	-	-
<b>Total Expenditures</b>	<b>3,203,108</b>	<b>1,718</b>	<b>330</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	280,571	-	-
Transfers out	-	(280,571)	-
<b>Other Financing Sources (Uses)</b>	<b>280,571</b>	<b>(280,571)</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>1,114,283</b>	<b>322</b>	<b>390,643</b>
<b>Fund Balances, Beginning</b>	<b>6,378,205</b>	<b>459,924</b>	<b>5,550,398</b>
<b>Fund Balances, Ending</b>	<b>\$ 7,492,488</b>	<b>\$ 460,246</b>	<b>\$ 5,941,041</b>

See accompanying Notes to the Financial Statements.

Permanent Fund	Total Governmental Funds
Endowment	
Care	
Principal	
\$ -	\$ 1,677,624
-	2,535,703
362,850	362,850
-	392,724
37,819	70,372
-	71,800
<u>400,669</u>	<u>5,111,073</u>
-	2,067,574
-	971,221
-	166,361
<u>-</u>	<u>3,205,156</u>
-	280,571
<u>-</u>	<u>(280,571)</u>
-	-
400,669	1,905,917
<u>6,247,252</u>	<u>18,635,779</u>
<u>\$ 6,647,921</u>	<u>\$ 20,541,696</u>

**ORANGE COUNTY CEMETERY DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014**

Net change in fund balances - total governmental funds: \$ 1,905,917

Amounts reported for governmental activities in the statement of activities are different because:

General fund reports capital outlays as expenditures. However, in the statement of activities, the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense. This is the amount that capital outlay exceeded depreciation and deletions in the current period.

Capital expenditures, net of deletions	158,177
Depreciation expense	(345,903)
Change in unavailable revenue due to installment contract activity	31,821
Net change in compensated absences	<u>40,976</u>
Change in net position of governmental activities	<u><u>\$ 1,790,988</u></u>

See accompanying Notes to the Financial Statements.

**ORANGE COUNTY CEMETERY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

***NOTE 1 – ORGANIZATION AND HISTORY***

The Orange County Cemetery District (District) was created July 1, 1985 through a reorganization of three special districts located in the County of Orange. The District is governed by a board of trustees appointed by the County Board of Supervisors. The District provides for burial services and for the operation and maintenance of the cemetery grounds and its service area includes the entire County of Orange. Cemeteries are located in the Cities of Anaheim, Lake Forest and Santa Ana.

***NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

**A. Basis of Presentation:**

***Government-wide Financial Statements:***

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the District. The District reports governmental activities, which are activities that normally are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. District expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. When both restricted and unrestricted resources are available for use, it is the District's policy to use unrestricted resources first, and then use restricted resources as they are needed.

***Fund Financial Statements:***

The accounting system of the District is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, deferred inflows, fund equity, revenues, and expenditures. An emphasis is placed on major funds within the governmental category.

The major funds of the District are as follows:

The General Fund is used to account for all activity not required to be accounted for in other funds.

The Pre-Need Trust Special Revenue Fund is established to account for monies collected in advance of services. Accordingly, the resources in the fund are restricted.

The Endowment Care Income Special Revenue Fund is established to account for the earnings of the Endowment Care Principal Permanent Fund. These resources are restricted for the maintenance and care of cemeteries in accordance with the provisions of the Health and Safety Code.

The Endowment Care Principal Permanent Fund is established to account for endowment care fees collected with the sale of interment spaces and that is legally restricted per the Health and Safety Code. Resources are restricted to the extent that only earnings, and not principal, may be used for purposes that support the District's programs.

**ORANGE COUNTY CEMETERY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

***NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)***

**B. Measurement Focus and Basis of Accounting:**

***Measurement Focus:***

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied.

On the government-wide statement of net position and the statement of activities, activities are presented using the economic resources measurement focus. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the government are reported.

In the fund financial statements, all governmental funds are accounted for on the current financial resources measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balances are considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net fund balance or net position.

***Basis of Accounting:***

In the government-wide statement of net position and statement of activities, the governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of the timing of related cash flows. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. For this purpose, the government considers revenues to be available if they are collected within a 60 day period to pay current liabilities at the end of the current fiscal year.

**C. Budgets:**

Annual budgets are adopted by resolution of the District's Board of Trustees. They are then submitted to the County of Orange Auditor-Controller prior to September 1. No budget transfers were requested during the year. Formal budgetary integration is employed as a management control during the year for all fund types. Management is authorized to approve appropriation transfers between accounts; however, appropriations between funds must be approved by the Board of Trustees. Accordingly, the lowest level of budgetary control exercised by the District's governing body is the fund level.

The District prepares its budgets on the modified accrual basis of accounting. A budget and actual comparison for the Endowment Care Principal Permanent Fund is not presented as no expenditures are made from this fund.

**ORANGE COUNTY CEMETERY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

***NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)***

**D. Property Taxes:**

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on July 1 and are payable in two installments on November 1 and February 1 and become delinquent December 11 and April 11. The County of Orange (County) bills and collects the property taxes and remits them to the District in installments during the year. District property tax revenues are recognized when levied to the extent that they result in current receivables.

The County is permitted by State law (Proposition 13) to levy taxes at 1% of full market value (at time of purchase) and can increase the assessed values no more than 2% per year.

**E. Investments:**

Investments are stated at fair value, the value at which a financial instrument could be exchanged in a current transaction between willing parties other than a forced or liquidation sale.

**F. Capital Assets:**

Capital assets, which include land, structures and improvements, and furniture and equipment, are reported in the government-wide financial statements. Capital assets are defined by the District as assets, with an initial cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Structures and Improvements	10-100 years
Furniture and Equipment	7-25 years

**G. Deferred Inflows of Resources:**

The District reports deferred inflows of resources. A deferred inflow of resources represents an acquisition of net position or fund balance by the government that is applicable to a future period. Under the modified accrual basis of accounting, it is not enough that revenue has been earned if it is to be recognized as revenue in of the current period. Revenue must also be susceptible to accrual; it must be both measureable and available to finance expenditures of the current fiscal year. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal year, then the assets must be offset by a corresponding deferred inflow of resources. This type of deferred inflow is unique to governmental funds, since it is tied to the modified accrual basis of accounting, which is only used in connection with governmental funds.

**ORANGE COUNTY CEMETERY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

***NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)***

**H. Compensated Absences:**

The District provides its employees with an annual leave provision that is referenced in the Union Memorandum of Understanding and District Personnel Manual. This provision provides for annual leave amounts based on the employees' years of service. Effective July 1, 2013, for all employees, the amount of annual leave an employee may accrue shall not exceed 52 times their bi-weekly accrual rate. An employee separating or retiring from the District shall be paid in a lump sum payment for all unused annual leave balance. Employees have an opportunity each year to request a leave payoff amount of up to 40 hours, assuming they meet the use and balance criteria.

**I. Risk Management:**

The District is insured by the Special District Risk Management Authority. The District holds policies for workers compensation and property/liability insurance. When it is probable that a claim liability has been incurred at year-end, and the amount of the loss can be reasonably estimated, the District records the estimated loss, net of any insurance coverage provided by commercial insurance policies held. At June 30, 2014, in the opinion of the District's management, the District had no material claims which would require a loss provision in the financial statements.

**J. New Accounting Pronouncements:**

**Adopted in the Current Year**

**GASB Statement No. 65** – In March 2012, GASB issued Statement No. 65 – *Items Previously Reported as Assets and Liabilities*. This Statement provides guidance on proper classification of certain items previously reported as assets and liabilities as deferred outflows or inflows of resources. This Statement also provides guidance on recognition of certain items that were previously reported as assets and liabilities as outflows or inflows of resources. This statement was implemented as of July 1, 2013.

**GASB Statement No. 66** – In March 2012, GASB issued Statement No. 66 – *Technical Corrections—2012— an Amendment of GASB Statements No. 10 and No. 62*. The objective of this Statement is to resolve conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The District has determined this statement is not applicable.

**GASB Statement No. 67** – In June 2012, GASB issued Statement No. 67 – *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statement No. 25 – *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and Statement No. 50 – *Pension Disclosures*, as they relate to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pension. The Statement is effective for periods beginning after June 15, 2013, or the 2013-2014 fiscal year. This statement is specifically for pension plan providers.



**ORANGE COUNTY CEMETERY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

***NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)***

**J. New Accounting Pronouncements (Continued):**

**Adopted in the Current Year (Continued)**

**GASB Statement No. 70** – In April 2013, GASB issued Statement No. 70 – *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of this Statement is to improve the recognition, measurement, and disclosure guidance for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The Statement is effective for periods beginning after June 15, 2013, or the 2013-2014 fiscal year. The District has determined this statement is not applicable.

**Effective in Future Fiscal Years**

**GASB Statement No. 68** – In June 2012, GASB issued Statement No. 68 – *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The Statement is effective for periods beginning after June 15, 2014, or the 2014-2015 fiscal year. The District has not determined the effect on the financial statements.

**GASB Statement No. 69** – In January 2013, GASB issued Statement No. 69 – *Government Combinations and Disposals of Government Operations*. The objective of this Statement is to establish reporting standards related to government combinations and disposals of government operations. The Statement is effective for periods beginning after December 15, 2013, or the 2014-2015 fiscal year. The District has not determined the effect on the financial statements.

**GASB Statement No. 71** – In November 2013, GASB issued Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The Statement is effective for periods beginning after June 15, 2014, or the 2014-2015 fiscal year. The District has not determined the effect on the financial statements

**K. Estimates:**

The preparation of 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 reported amounts of assets, liabilities, deferred inflows of resources, and disclosures at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

**ORANGE COUNTY CEMETERY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 3 – CASH AND INVESTMENTS**

Cash and investments as of June 30, 2014 consisted of the following:

Cash and Investments:	
Cash in County Pool	\$ 5,204,246
Cash in Investment Trust of California	2,512,153
Cash in Bank	31,904
Imprest Cash	800
With Trustees:	
Cash	1,080,591
Investments	6,985,962
Restricted Assets:	
Cash in County Pool	267,380
With Trustees:	
Cash	54,607
Investments	6,325,934
Total Cash and Investments	<u>\$ 22,463,577</u>

**Authorized Investments:**

Per the District's Investment Policy, the District may invest in the following types of investments:

Authorized Investment Type	Maximum Maturity	Authorized Limit (%)	Authorized Limit In One Issuer (%)	Required Rating
Local agency bonds	20 years	None	None	None
U.S. Treasury bills, note or bonds	In excess of 5 years	None	30%	None
State registered warrants, notes or bonds	10 years	None	40% / 10% of single issue	None
Notes and bonds of other local California agencies	20 years	None	40% / 10% of single issue	None
U.S. agencies	In excess of 5 years	None	40% / 10% of single issue	None
Bankers acceptances	180 Days	40%	5%	None
Prime commercial paper	270 Days	25%	5%	A1/P1
Negotiable certificates of deposit	10 years	30%	5%	None
Repurchase agreements	1 year	20%	None	None
Reverse repurchase agreements	92 Days	20% *	None	None
Securities lending	92 days	20% *	None	None
Medium term corporate notes	10 years	30%	5%	A2
Shares of beneficial interest, mutual funds	N/A	20%	10% of single fund	A
Mortgage pass-through securities, collateralized mortgages (CMO), and asset backed securities	In excess of 5 years	20%	None	Aa2
Local agency investment fund (LAIF)	N/A	None	None	None
County pooled investment funds	N/A	None	None	None
Investment trust of California (CalTRUST)	N/A	None	None	None

\* Reverse Repurchase Agreements and Securities Lending Programs are limited to a maximum cumulative amount of 20% of portfolio funds.

**ORANGE COUNTY CEMETERY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 3 – CASH AND INVESTMENTS (CONTINUED)**

***Custodial Credit Risk:***

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provisions for deposits: 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% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

***Disclosures Relating to Interest Rate Risk:***

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair market value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly as necessary to provide the cash flow and liquidity needed for operations. Information about the sensitivity of the fair values of the District's investments (including investments held by trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

Investment Type	Total Fair Value	Term to Maturity			
		12 Months or less	13 to 24 Months	25 to 60 Months	Greater than 60 Months
Orange County Investment Pool	\$ 5,471,626	\$ 5,471,626	\$ -	\$ -	\$ -
Investment Trust of California	2,512,153	2,512,153	-	-	-
Medium Term Corporate Notes	5,877,196	1,168,597	1,595,797	1,858,533	1,254,269
Certificates of Deposit	2,130,902	259,195	255,502	1,092,902	523,303
Municipal Securities	1,563,163	302,733	228,704	450,196	581,530
Gov't Asset Backed/CMO Securities					
Federal National Mortgage Association	87,244	-	-	-	87,244
Governmental National Mortgage Association	118,080	-	-	-	118,080
U.S. Agency Securities:					
Federal Home Loan Bank	1,157,076	154,256	-	322,321	680,499
Federal National Mortgage Association	1,104,692	-	-	-	1,104,692
Federal Farm Credit Bank	931,277	-	-	-	931,277
Federal Home Loan Mortgage Corporation	342,266	-	94,139	-	248,127
	<u>\$ 21,295,675</u>	<u>\$ 9,868,560</u>	<u>\$ 2,174,142</u>	<u>\$ 3,723,952</u>	<u>\$ 5,529,021</u>

As of June 30, 2014, the District held \$205,324 in U.S. government agency securities which are backed by mortgage pass-throughs. Therefore, if interest rates decline, the mortgages are subject to prepayment by borrowers. However, the District's intent is to hold all fixed maturity investments until maturity, and accordingly, fixed maturity investments are classified in the tables above as if they were held to maturity.

**ORANGE COUNTY CEMETERY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 3 – CASH AND INVESTMENTS (CONTINUED)**

**Disclosures Relating to Credit Risk:**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The following presentation is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, and the actual Moody's rating as of year end for each investment type:

Investment Type	Total Fair Value	Minimum Rating	Actual Ratings at Year-end					
			Aaa	Aa2/Aa3	A1	A2/A3	Baa1/Baa2*	Not Rated
Orange County Investment Pool	\$ 5,471,626	N/A	\$ 5,471,626	\$ -	\$ -	\$ -	\$ -	\$ -
Investment Trust of California	2,512,153	N/A	2,512,153	-	-	-	-	-
Medium Term Corporate Notes	5,877,196	A2	198,198	711,994	663,751	2,632,815	1,380,980	289,458
Certificates of Deposit	2,130,902	N/A	-	-	-	-	-	2,130,902
Municipal Securities	1,563,163	N/A	151,209	931,683	49,980	327,092	-	103,199
Gov't Asset Backed CMO Securities:								
Federal National Mortgage Association	87,244	Aa2	43,191	44,053	-	-	-	-
Governmental National Mortgage Association	118,080	Aa2	118,080	-	-	-	-	-
U.S. Agency Securities:								
Federal Home Loan Bank	1,157,076	N/A	1,157,076	-	-	-	-	-
Federal National Mortgage Association	1,104,692	N/A	1,104,692	-	-	-	-	-
Federal Farm Credit Bank	931,277	N/A	931,277	-	-	-	-	-
Federal Home Loan Mortgage Corporation	342,266	N/A	248,127	-	-	-	-	94,139
	<u>\$ 21,295,675</u>		<u>\$11,935,629</u>	<u>\$ 1,687,730</u>	<u>\$ 713,731</u>	<u>\$ 2,959,907</u>	<u>\$ 1,380,980</u>	<u>\$ 2,617,698</u>

\* Investments conformed to Government Code at the time of acquisition.

The District holds investments in Lehman Brothers medium term notes, who declared Chapter 11 Bankruptcy on September 15, 2008. The notes are valued at \$59,250 as of June 30, 2014, and are not rated by any of the nationally recognized credit rating organizations. The District also holds investments in Barclays Bank which are valued at \$230,207 as of June 30, 2014, and are not rated by any of the nationally recognized credit rating organizations. In addition, the District holds investments in JP Morgan Chase, valued at \$101,957, Royal Bank of Scotland, valued at \$98,547, Goldman Sachs Group Inc., valued at \$368,867, Bear Stearns, valued at \$100,313, Orix Corporation, valued at \$154,652, Western Union, valued at \$164,655, Bank of America, valued at \$288,559, and Morgan Stanley, valued at \$103,430. Those investments mentioned were downgraded to Baa1/Baa2 by Moody's Investor Services as a result of the 2008 financial crisis. Although the credit ratings were downgraded, the District intends to hold these investments until maturity, presuming that they will either increase in value or hold their current value.

**Concentration of Credit Risk:**

Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. Investments in any one issuer (other than external investment pools) that represent 5% of more of total District investments are as follows:

Issuer	Investment Type	Fair Value at June 30, 2014
Federal Home Loan Bank	U.S. Agency Security	\$ 1,157,076
Federal National Mortgage Association	U.S. Agency Security	1,104,692

**ORANGE COUNTY CEMETERY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

***NOTE 3 – CASH AND INVESTMENTS (CONTINUED)***

***Orange County Investment Pool***

The District's deposit in the Orange County Treasurer's Money Market Fund of the Investment Pool (Pool) is similar to a demand deposit and amounts can be withdrawn at any time without prior written notice. The County's Investment Policy Statement establishes policies governing the Pool. Interest is apportioned to the District monthly based on the average daily balances on deposit with the County Treasurer. The County Treasury Oversight Committee, established in December 1995, conducts Pool oversight. A total of \$5,471,626 of the District's cash and investments at June 30, 2014 are part of the Pool. The government code requires the District to use the County Treasury as a depository for its funds, except for certain revolving funds and other approved or allowable investments approved by the Board of Trustees. For risks related to the County Pool, refer to the County of Orange Comprehensive Annual Financial Report.

***Investment Trust of California (CalTRUST)***

The District is a voluntary participant in CalTRUST, a Joint Powers Authority established by public agencies in California for the purpose of pooling and investing local agency funds. A Board of Trustees supervises and administers the investment program of the Trust. CalTRUST invests in fixed income securities eligible for investment pursuant to California Government Code Sections 53601, et seq. and 53635, et seq. Investment guidelines adopted by the Board of Trustees may further restrict the types of investments held by the Trust. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by CalTRUST for the entire CalTRUST portfolio. The balance available for withdrawal is based on the accounting records maintained by CalTRUST. For purposes of determining fair market value, securities are normally priced on a daily basis on specified days if banks are open for business and the New York Stock Exchange is open for trading. The value of securities is determined on the basis of the market value of such securities or, if market quotations are not readily available, at fair value, under guidelines established by the Trustees. Investments with short remaining maturities may be valued at amortized cost, which the Board has determined to equal fair value.

***Demand Deposits***

In accordance with the California Government Code, the District established a revolving fund with a bank in order to meet its operating needs during and subsequent to the County bankruptcy. The District is permitted to establish a revolving fund that may not exceed 110% of 1/12 of the District's budgeted expenditures. At June 30, 2014 cash deposited in the District's revolving fund totaled \$31,904.

**ORANGE COUNTY CEMETERY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 4 – CAPITAL ASSETS**

Change in capital assets for the year ended June 30, 2014, were as follows:

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
<b>Capital assets, not being depreciated:</b>				
Land	\$ 250,866	\$ -	\$ -	\$ 250,866
Construction in progress	14,241	-	(14,241)	-
Total Capital Assets, Not Being Depreciated	<u>265,107</u>	<u>-</u>	<u>(14,241)</u>	<u>250,866</u>
<b>Capital assets, being depreciated:</b>				
Structures and improvements	9,708,125	94,463	-	9,802,588
Furniture and equipment	875,933	86,139	(51,857)	910,215
Total Capital Assets, Being Depreciated	<u>10,584,058</u>	<u>180,602</u>	<u>(51,857)</u>	<u>10,712,803</u>
<b>Less accumulated depreciation for:</b>				
Structures and improvements	(3,518,876)	(270,658)	-	(3,789,534)
Furniture and equipment	(518,028)	(75,245)	43,673	(549,600)
Total Accumulated Depreciation	<u>(4,036,904)</u>	<u>(345,903)</u>	<u>43,673</u>	<u>(4,339,134)</u>
Total Capital Assets, Being Depreciated, Net	<u>6,547,154</u>	<u>(165,301)</u>	<u>(8,184)</u>	<u>6,373,669</u>
Capital Assets, Net of Accumulated Depreciated	<u>\$ 6,812,261</u>	<u>\$ (165,301)</u>	<u>\$ (22,425)</u>	<u>\$ 6,624,535</u>

Capital assets are carried at cost. Information regarding the various locations is as follows:

Anaheim Cemetery — The original land, received by grant deed on April 22, 1927, is recorded at \$10.

El Toro Memorial Park — The original land, received by grant deed on June 27, 1927, is recorded at \$10. The 1966-67 and subsequent additions are recorded at cost.

Santa Ana Cemetery — The International Order of Odd Fellows Section was received by grant deed on December 8, 1927. The Daughters of Union Veterans Section was received by grant deed on November 6, 1959. On March 2, 1978, a deed was received, without cost, from the Santora Company for its equity in land maintained by the District. The Masonic Section was received by grant deed on July 1, 1987. Also received from Santa Ana Masonic Lodge #241 was an amount for the Endowment Care Principal Permanent Fund.

**ORANGE COUNTY CEMETERY DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2014**

**NOTE 5 – INTERFUND TRANSACTIONS**

Interfund transfers for the year ended June 30, 2014, consisted of the following:

Transfer To	Pre-Need Trust
General Fund	\$ 280,571

Interfund transfers are used to (1) transfer net Interment space sales, interment services and other sales from Pre-Need Trust Fund to the General Fund.

**NOTE 6 – COMPENSATED ABSENCES**

The estimated liability for compensated employee absences relates to accumulated time allowed for vacation pay and compensatory pay. Amounts are payable upon termination of employment. Changes in compensated absences for the year ended June 30, 2014 were as follows:

	June 30, 2013	Additions	Reductions	June 30, 2014	Due within one year
Compensated absences	\$ 253,721	\$ 152,620	\$ (193,596)	\$ 212,745	\$ 141,000

For compensated absences in the governmental activities shown above, the General Fund has been used in prior years to liquidate balances.

**NOTE 7 – PENSION PLAN**

The District's regular full time and part-time employees participate in the Orange County Employees Retirement System (OCERS), a cost sharing, multiple-employer, defined benefit plan sponsored by the County. OCERS was established in 1945 under provisions of the County Retirement Law of 1937 and provides plan members and beneficiaries with retirement, death, disability and cost of living adjustment benefits.

Additional information concerning various aspects of the plan is presented in the OCERS Comprehensive Annual Financial Report as of December 31, 2013.

Covered employees were required to contribute a percentage of their annual compensation to OCERS as a condition of participation. The District has agreed to pay a portion of the employee contributions for plan participants. During fiscal year ending June 30, 2014, \$103,047 was contributed by employees based on tiered rates dependent on their age at the entry date to the plan (between 5.74% and 11.99%). The district's actuarially-determined contribution requirements were \$211,373, \$209,508, and \$204,822, for the years ended June 30, 2014, 2013, and 2012, respectively, of which the District contributed 100% the required contribution for each of the three years respectively. Contributions are determined based on an agreement the District has entered into with OCERS, which are based on recommended contribution rates published in an actuarial study prepared for OCERS. The District's contribution rate of covered payroll was 19.03% during fiscal year 2014.

**ORANGE COUNTY CEMETERY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

***NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS***

***Retiree Medical Plan:***

*Plan Description.* The District's regular full-time and part-time employees participate in a Retiree Medical Plan (Plan), a cost-sharing multiple-employer defined benefit postemployment healthcare plan. The plan is offered and administered by the County of Orange, which assists retirees with the cost of retiree health insurance premiums and/or Medicare premiums. The County has the authority to establish and amend benefit provisions to the Retiree Medical Plan. The County issues a publicly available financial report that includes financial statements and required supplementary information for the Retiree Medical Plan. That report may be obtained by writing Auditor-Controller's Office; County of Orange, 12 Civic Center Plaza, Santa Ana, California 92702 or you can access their website at <http://www.ac.ocgov.com>.

*Funding Policy.* The District contributes an amount equal to a contractually required contribution as established by the County. In order to more adequately fund the benefits under the Plan, on June 19, 2007, the County's Board adopted the County of Orange Retiree Medical Trust (Trust) effective July 2, 2007. The Trust is an Internal Revenue Code section 115 trust. In addition the County and OCERS have entered into agreements for OCERS to establish an Internal Revenue code section 401(h) account, invest monies of the 401(h) account and the Trust and to act as paying agent for benefits under the Retiree Medical Plan (except for the lump sum payment).

The District is contractually required to contribute at a rate assessed each year by the Plan, currently 3.5% of annual covered payroll. The employer contribution rate based on the *annual required contribution of the employers (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The District's contributions to the Retiree Medical Plan for the years ended June 30, 2014, 2013, and 2012, were \$47,259, \$44,873, and \$29,847, respectively, which equaled the contractually required contributions each year.

***NOTE 9 – NET POSITION AND FUND BALANCE CLASSIFICATIONS***

The District's Statement of Net Position reports a total of \$27,042,708, including \$7,829,211 of unrestricted net position. On the Governmental Funds Balance Sheet the District's fund balance is classified in accordance with GASB Statement No. 54, which classifies fund balance into five different components. The components are nonspendable, restricted, committed, assigned and unassigned.

- *Nonspendable* – resources that are not in spendable form or required to be maintained.
- *Restricted* – resources are subject to externally enforceable legal restrictions; these restrictions are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.
- *Committed* – resources are constrained to specific purposes by a formal action of the Board of Trustees such as an ordinance or resolution. The constraint remains binding unless removed in the same formal manner by the Board. Board action to commit fund balance must occur within the fiscal reporting period while the amount committed may be determined subsequently.
- *Assigned* – amounts that are constrained by the District's intent to be used for specific purposes but are neither restricted nor committed.
- *Unassigned* – any residual positive net resources of the General Fund in excess of those portions of fund balance classified in one of the other four categories of fund balance.



**ORANGE COUNTY CEMETERY DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2014**

**NOTE 9 – NET POSITION AND FUND BALANCE CLASSIFICATIONS (CONTINUED)**

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) fund balance are available, the District’s policy is to first apply restricted fund balance. When expenditures are incurred for purposes for which committed, assigned or unassigned fund balances are available, the District’s policy is to first apply committed fund balance, then assigned fund balance, and finally unassigned fund balance.

	General Fund	Special Revenue Funds		Permanent Fund	Total Governmental Funds
		Pre-Need Trust	Endowment Care Income	Endowment Care Principal	
<b>Fund Balance:</b>					
Nonspendable					
Prepaid items	\$ 199,055	\$ -	\$ -	\$ -	\$ 199,055
Endowment principal	-	-	-	6,647,921	6,647,921
Restricted					
Maintenance	-	-	5,941,041	-	5,941,041
Committed					
Land acquisition	2,500,000	-	-	-	2,500,000
Capital improvement	1,550,000	-	-	-	1,550,000
Assigned					
UAAL - OCERS - Employer Contribution	1,663,292	-	-	-	1,663,292
Future Cemetery Care	-	460,246	-	-	460,246
Unassigned	1,580,141	-	-	-	1,580,141
<b>Total Fund Balance</b>	<b>\$ 7,492,488</b>	<b>\$ 460,246</b>	<b>\$ 5,941,041</b>	<b>\$ 6,647,921</b>	<b>\$ 20,541,696</b>

**NOTE 10 – INSURANCE PROGRAM**

The District is exposed to various risks or loss related to torts; thefts of, damage to and destruction of assets; error and omissions; and natural disasters. To mitigate these risks the District is a member of the Special Districts Risk Management Authority (Authority). The Authority is composed of over 900 member public agencies and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the Authority is to provide services and other functions necessary and appropriate for the creation, operation, and maintenance of liability, workers' compensation, property and other risk pooling and coverage plans for the member agencies. The Authority began covering the claims of its members in 1986. The governing board is composed of seven members that are elected or appointed representatives of member agencies' governing boards.

Member agencies pay an annual premium to the Authority and are determined annually by the governing board. The District's policy limits for workers' compensation insurance is \$5,000,000 per occurrence, with no deductible. The district's policy limits for property and liability insurance are \$1,000,000,000 per covered loss for property damage, which includes automobile, mobile equipment, boiler and machinery, and \$10,000,000 per occurrence for general liability, which includes automobile, errors and omissions of officers and the board of trustees. The District has deductibles of \$1,000 for direct property loss, \$250 comprehensive/\$500 collision for automobile physical damage loss, and \$2,500 for crime loss.

If aggregate losses under the Authority's workers' compensation and general liability programs exceed total contributions collected from member agencies, the Authority may assess additional contributions in accordance with the provisions of the Joint Exercise of Powers Agreement and the Authority's Bylaws.

There were no reductions in insurance coverage from the previous year and the amount of settled claims has not exceeded insurance coverage for each of the past three fiscal years.

**ORANGE COUNTY CEMETERY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

***NOTE 11 – SUBSEQUENT EVENT***

On July 1, 2014, the District made a payment of \$1,663,292 to OCERS to prefund the District's estimated Unfunded Actuarial Accrued Liability (UAAL) for FY 2014/15.

**REQUIRED SUPPLEMENTARY INFORMATION**

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**ORANGE COUNTY CEMETERY DISTRICT  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2014**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Property taxes	\$ 1,628,036	\$ 1,677,624	\$ 49,588
Interment space sales, interment services and other sales	2,289,336	2,255,417	(33,919)
Investment income	30,256	27,006	(3,250)
Net increase (decrease) in fair value of investments	-	4,973	4,973
Other revenues	75,685	71,800	(3,885)
<b>Total Revenues</b>	<b>4,023,313</b>	<b>4,036,820</b>	<b>13,507</b>
<b>Expenditures:</b>			
Current:			
Salaries and employee benefits	2,009,481	2,067,574	(58,093)
Services and supplies	866,500	969,173	(102,673)
Capital expenditures	523,799	166,361	357,438
<b>Total Expenditures</b>	<b>3,399,780</b>	<b>3,203,108</b>	<b>196,672</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	280,571	280,571
<b>Net Change in Fund Balance</b>	<b>623,533</b>	<b>1,114,283</b>	<b>\$ 490,750</b>
Fund Balance, Beginning	6,378,205	6,378,205	
Fund Balance, Ending	<b>\$ 7,001,738</b>	<b>\$ 7,492,488</b>	

**ORANGE COUNTY CEMETERY DISTRICT  
 PRE-NEED TRUST SPECIAL REVENUE FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED JUNE 30, 2014**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Interment space sales, interment services and other sales	\$ 180,000	\$ 280,286	\$ 100,286
Investment income	10,000	10,324	324
Net increase (decrease) in fair value of investments	-	(7,999)	(7,999)
<b>Total Revenues</b>	<b>190,000</b>	<b>282,611</b>	<b>92,611</b>
<b>Expenditures:</b>			
Current:			
Services and supplies	101,500	1,718	99,782
<b>Other Financing Sources (Uses)</b>			
Transfers out	-	(280,571)	(280,571)
<b>Net Change in Fund Balance</b>	<b>88,500</b>	<b>322</b>	<b>\$ (88,178)</b>
Fund Balance, Beginning	459,924	459,924	
Fund Balance, Ending	<b>\$ 548,424</b>	<b>\$ 460,246</b>	

**ORANGE COUNTY CEMETERY DISTRICT  
 ENDOWMENT CARE INCOME SPECIAL REVENUE FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED JUNE 30, 2014**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Investment income	\$ 375,452	\$ 355,394	\$ (20,058)
Net increase (decrease) in fair value of investments	-	35,579	35,579
<b>Total Revenues</b>	<b>375,452</b>	<b>390,973</b>	<b>15,521</b>
<b>Expenditures:</b>			
Current:			
Services and supplies	750	330	420
<b>Net Change in Fund Balance</b>	<b>374,702</b>	<b>390,643</b>	<b>\$ 15,941</b>
Fund Balance, Beginning	5,550,398	5,550,398	
Fund Balance, Ending	<b>\$ 5,925,100</b>	<b>\$ 5,941,041</b>	

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**OTHER INFORMATION**

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**ORANGE COUNTY CEMETERY DISTRICT  
 SCHEDULE OF GENERAL FUND EXPENDITURES  
 FOR THE YEAR ENDED JUNE 30, 2014**

**Salaries and employee benefits:**

Salaries and wages	\$ 1,395,259
Retirement contributions and retiree medical insurance	362,696
Medical, unemployment and compensation insurance contributions	<u>309,619</u>
<b>Total Salaries and Employee Benefits</b>	<u><u>2,067,574</u></u>

**Services and supplies:**

Communications	24,493
Insurance	24,805
Maintenance of equipment	75,993
Maintenance of structures, improvements and grounds	243,765
Office	58,330
Professional and specialized services	172,957
Publications, legal notices and memberships	12,747
Equipment rental	4,471
Small tools	14,203
Transportation and travel	17,647
Utilities	183,174
Special department	<u>136,588</u>
<b>Total Services and Supplies</b>	<u><u>969,173</u></u>

**Capital outlay:**

Structures and improvements	<u>166,361</u>
<b>Total Expenditures</b>	<u><u>\$ 3,203,108</u></u>