ORANGE COUNTY CEMETERY DISTRICT

Financial Statements,
Independent Auditors' Report

For the Year Ended June 30, 2016

ORANGE COUNTY CEMETERY DISTRICT

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED JUNE 30, 2016

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Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

VALUE THE DIFFERENCE

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

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Emphasis of Matter

As described in Note 2 to the financial statements, the District adopted Governmental Accounting Standards Board (GASB) Statements No. 72, *Fair Value Measurement and Application,* as of July 1, 2015. 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, schedule of the District's proportionate share of the net pension liability (asset), schedule of contributions, and budgetary comparison information on pages 3 through 12, 42, 43, and 44 through 47, 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 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 on page 48 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 January 16, 2017, 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.

Vavrinek, Trine, Day & Co., LLP

Laguna Hills, California
January 16, 2017

ORANGE COUNTY CEMETERY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

As management of the Orange County Cemetery District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which follow this discussion.

Financial Highlights

- The assets and deferred outflows of the District exceeded its liabilities and deferred inflows, at June 30, 2016, by $29,887,055 (*net position*). Of this amount, $8,989,517 (*unrestricted*) may be used to meet the government's ongoing obligations to citizens and creditors.

- As of June 30, 2016, the District's governmental funds reported combined ending fund balances of $23,447,179, an increase of $2,628,691.

Overview of the Financial Statements

The discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise 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 District's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, 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 District is improving or deteriorating.

The *statement of activities* presents information showing how the District'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 District that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the 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 District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The 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 better understand 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 District maintains various individual governmental 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.

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 (RSI)*. The 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. Other RSI includes the schedule of the District's proportionate share of the net pension liability (asset) and schedule of contributions. There is additional supplementary information provided in the schedule of general fund expenditures.

Government-Wide Financial Analysis

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.

Condensed Statement of Net Position
As of June 30:

	2015	2016
Assets:		
Current and other assets	$ 23,541,915	$ 26,325,443
Capital assets	6,654,295	6,771,093
Total Assets	30,196,210	33,096,536
Deferred Outflows of Resources	110,870	583,899
Liabilities:		
Long-term liabilities outstanding	195,232	740,348
Other liabilities	2,484,989	2,741,703
Total Liabilities	2,680,221	3,482,051
Deferred Inflows of Resources	385,809	311,329
Net Position:		
Investment in capital assets	6,654,295	6,771,093
Restricted for:		
Non-Expendable - Endowment Principal	6,951,251	7,374,121
Expendable - Maintenance	6,265,492	6,752,324
Unrestricted	7,370,012	8,989,517
Total Net Position	$ 27,241,050	$ 29,887,055

- The District reported a total net position of $29,887,055 at June 30, 2016.

  - The District had 22.7% of the net position in capital assets (e.g., and buildings, machinery and equipment). The District used these capital assets to provide services to citizens; consequently, these assets were not available for future spending.

  - The District had 47.3% of the net position funds restricted for the perpetual care of the cemetery grounds (both non-expendable and expendable). These funds were invested and will continue to earn interest income which will be used for the maintenance and operation of the District's cemeteries in the future.

  - The remaining balance of *unrestricted net position* $8,989,517 was used to meet the government's ongoing obligations to citizens and creditors.

- The current and other assets increased by $2,783,528 primarily due to increases in interment space sales, interment services, endowment fee revenue and investment income (investments with third-party investors: OCIP, Cal Trust, Edward Jones, Kreisler L-T Investments, UBS and Wells Fargo).

- Deferred outflows and inflows of resources were directly related to GASB 68 (implemented in fiscal year 2014-2015). The entries were for the recognition of changes in the net pension liability cash flows of periods before and after the measurement date for 12/31/15. See Note 7 of the Financial Statements for additional information regarding the changes, in relation to GASB 68 reporting requirements.

- The long-term liabilities outstanding increased by $545,116 due to increases in net pension liability ($533,906) and compensated absences ($11,210). The net pension liability may fluctuate based on factors such as changes in assumptions, experience, and investment earnings. See Note 7 of the Financial Statements for additional information regarding the GASB 68 calculation of net pension liability. As a result of the District's decision to pay off the unfunded accrued actuarial liability (UAAL) in the prior year, current year contribution rates relate to normal cost, and do not include a UAAL component.

ORANGE COUNTY CEMETERY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
June 30, 2016

Governmental Activities

During fiscal year 2015-2016, the District's total revenues increased by $539,506 and total expenses decreased by $88,139.

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

	2015	2016	Variance Positive (Negative)
Revenues:			
Program Revenues:			
Charges for services	$ 2,942,151	$ 2,957,572	$ 15,421
Endowment fees	361,150	388,300	27,150
General Revenues:			
Property taxes	1,800,186	1,903,673	103,487
Investment income	322,379	701,658	379,279
Other revenues	72,021	86,190	14,169
Total Revenues	5,497,887	6,037,393	539,506
Expenses:			
Cemetery Operations:			
Salaries and employee benefits	2,213,910	2,024,842	189,068
Services and supplies	940,012	1,039,390	(99,378)
Depreciation expense	325,605	327,156	(1,551)
Total Expenses	3,479,527	3,391,388	88,139
Change in Net Position	2,018,360	2,646,005	$ 627,645
Net Position - Beginning of Year	25,222,690	27,241,050	
Net Position - End of Year	$ 27,241,050	$ 29,887,055	

- Total program revenues increased by $42,571 from the prior year and consisted of increases in the charges for services ($15,421) and endowment fee revenue ($27,150). These increases were due to the higher number of interments and interment space sales in the current fiscal year and a nominal increase in service fees, effective July 2015.

- Total general revenues increased by $496,935 from the prior year and consisted of increases in property tax revenue ($103,487), investment income ($379,279) and other revenues ($14,169).
    - Property tax revenue increased by 5.7% due to increases in the amount of tax collections, Orange County property values and the number of property sales. The increase was consistent with the County of Orange projection of a 4% increase in property tax revenue for fiscal year 2015-2016.
    - Investment income increased by 117.7% due to third party investors' performance, more monies transferred to third-party investors from the Orange County Investment Pool (OCIP) and better overall market conditions during fiscal year 2015-2016.
    - Other revenues increased by 19.7% due to increases in third-party rebates and reimbursements from the State of California and the County of Orange.

- Salaries and employee benefit expenses decreased by $189,068 from the prior year due to a pension expense adjustment that was directly related to GASB 68 (implemented in fiscal year 2014-2015). See Note 7 of the Financial Statements for additional information regarding pension expense.

- Services and supplies expenses increased by $99,378 from the prior year and consisted of increases in professional specialized services, maintenance services and office expense, offset by decreases in utilities expenses.
    - Professional specialized services expenses increased by approximately $88,000 due to an increase in County of Orange Auditor-Controller Service Fees (for accounting/payroll and human resource services), purchase of new cemetery management software and completion of an endowment fee actuarial study.
    - Maintenance service expenses increased by approximately $27,000 due to increases dirt hauling services and specific site projects.
    - Office expense increased by approximately $10,000 due to the purchase of new cemetery management software.
    - Utilities expense decreased by approximately $26,000 due to the full operation of the Santa Ana groundwater well in the current fiscal year.

- Depreciation expense increased by 0.5% due to annual depreciation, recognition of full depreciation on several existing, and the acquisition and disposal of equipment and structures in the current fiscal year.

Financial Analysis of the Governmental Funds

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

Governmental Funds. The focus of the 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 District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of District's net resources available for spending at the end of the fiscal year.

General Fund

Fund balance in the General Fund increased by $1,657,256 for the fiscal year, primarily as a result of a prior year one-time payment of $1.7 million retirement contribution to OCERS offset by increases in property taxes, interment space sales, interment services revenue, and investment income from Cal Trust.

Pre-Need Trust

Fund balance in the Pre-Need Trust fund increased $61,733 primarily as a result of investment income.

Endowment Care Income Fund

Fund balance in the Endowment Care Income Fund increased $486,832 as a result of investment income of $365,013 and an increase in the fair value of $121,926.

Endowment Care Principal Fund

Fund balance in the Endowment Care Principal Fund increased by $422,870 as a result of an increase in endowment fees from interment space sales and an increase in the fair value of investments held by the permanent fund of $34,570.

General Fund Budget Highlights

Variances between the Fiscal Year 2015-2016 original (and final) adopted budget and the actual amounts can be summarized as follows:

- Property tax revenues were $39,480 (2.1%) more than estimated revenue due to increases in assessment values and property tax collections by the County.

- Operating revenues (Interment space sales and services) were $202,494 (7.2%) less than estimated revenue due to the financial statement treatment of recognizing the 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 ($338,558); therefore, the combined variance was $136,064 (4.8%) 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.

- Investment income was $32,486 (82.8%) more than estimated revenue due to additional monies transferred into CalTrust and better than anticipated rates of return with the CalTrust investment portfolio.

- Salary and benefits expenditures were less than budgeted expenditures by $113,683 (5.6%), due to a year-end financial statement adjustment to eliminate prepaid retirement expenses in accordance with pension accounting standard GASB 68. See Note 7 for additional information regarding the new GASB 68 reporting requirements.

- Services & Supplies expenditures were more than budgeted expenditures by $21,107 (2.1%), due to unexpected expenditures in maintenance - building expenditures and professional services expenditures, offset by savings in office expense. Maintenance – building expenditures were more than budget due to the use of temporary labor and additional dirt hauling services. Professional services expenditures included accounting/payroll/human resources fees for the County of Orange Auditor-Controller that were not known until after the FY 2015-2016 budget process was complete.

- The Capital expenditures were less than budget by $367,715 (44.4%) due to savings in equipment purchases, and a delay of the Cemetery Niche Installation Project to FY 2016-2017.

Capital Asset and Debt Administration

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2016, amounts to $6,771,093 (net of accumulated depreciation).

In fiscal year 2015-16, the following project was completed:

- El Toro Memorial Park Concrete Curb, Entrance and Dirt Compound

Debt Administration

At the end of fiscal year 2015-2016, the District did not have any real outstanding debt. However, the District did recognize other long-term liabilities of employee compensated absences of $206,442 and net pension liability of $533,906 as of June 30, 2016.

Economic Factors and Next Year's Budgets and Rates

The key assumptions in the General Fund forecast for fiscal year 2016-17 were:

- Factored a 5% increase in the Interment Space Sales fees and modified some of the Interment Service Fees (effective August 1, 2016)
- Factored a 4% increase in property tax revenue based on County of Orange projections.
- Factored a 2% increase in other revenue for Telecommunications Site Lease Agreement projected CPI adjustments.
- Included addition of one full-time Groundskeeper position and one part-time Secretary position. Also, merit increases factored in for six of the employees that have not reached the top step in pay scale.
- Factored Retirement Employer Contribution rate of 11.79% (existing employees) and 11.81% (new employees).
- Factored in an increase of 7% for planned increases in medical insurance costs, as well as the addition of coverage for one new position.
- Included $70,000 in Maintenance of Building & Grounds for trimming of 114 palm trees at Santa Ana Cemetery (last done – 6 years ago).
- Increased Utilities account due to approved increases in water and electrical rates.

- Included a 5% Economic Uncertainty Fund
- Equipment Expenditures scheduled based on equipment replacement schedule: El Toro – backhoe/loader & utility vehicle.
- Capital Improvement projects scheduled: Cemetery Niche Installation Project (Anaheim and Santa Ana cemeteries), and Santa Ana Cemetery Restroom & Septic Tank Project.

All of these factors were considered in preparing the District's annual operating budget for fiscal year 2016-2017.

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.

BASIC FINANCIAL STATEMENTS

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ORANGE COUNTY CEMETERY DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities
Assets:	
Cash and investments	$ 18,632,363
Cash in bank	33,750
Imprest cash	800
Accounts receivable	191,349
Taxes receivable, including interest, penalties and liens	24,949
Interest receivable	59,238
Due from other governmental agencies	8,873
Restricted assets:	
Cash and investments	7,374,121
Capital assets not being depreciated	250,866
Capital assets being depreciated, net	6,520,227
Total Assets	33,096,536
Deferred Outflows of Resources:	
Deferred amount related to pensions (Note 7)	583,899
Liabilities:	
Accounts payable	24,724
Accrued payroll	111,325
Due to other governmental agencies	23,098
Pre-need deposits	2,582,556
Compensated absences payable - due within one year	155,000
Noncurrent liabilities	
Compensated absences payable - due in more than one year	51,442
Net Pension Liability	533,906
Total Liabilities	3,482,051
Deferred Inflows of Resources:	
Deferred amount related to pensions (Note 7)	311,329
Net Position (Note 9):	
Investment in capital assets	6,771,093
Restricted for:	
Nonexpendable - Endowment principal	7,374,121
Expendable - Maintenance	6,752,324
Unrestricted	8,989,517
	$ 29,887,055

See accompanying Notes to the Financial Statements.

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ORANGE COUNTY CEMETERY DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	Governmental Activities
Expenses:	
Cemetery operations:	
Salaries and employee benefits	$ 2,024,842
Services and supplies	1,039,390
Depreciation expense	327,156
Total Expenses	3,391,388
Program revenues:	
Charges for services:	
Interment space sales, interment services and other sales	2,957,572
Endowment fees	388,300
Total Program Revenues	3,345,872
Net Program Expenses	45,516
General revenues:	
Property taxes	1,903,673
Investment income	701,658
Other revenues	86,190
Total General Revenues	2,691,521
Change in Net Position	2,646,005
Net Position, Beginning	27,241,050
Net Position, Ending	$ 29,887,055

See accompanying Notes to the Financial Statements.

ORANGE COUNTY CEMETERY DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	General Fund	Special Revenue Funds: Pre-Need Trust	Special Revenue Funds: Endowment Care Income
Assets:			
Cash and investments	$ 8,798,955	$ 3,133,204	$ 6,700,204
Cash in bank	33,750	-	-
Imprest cash	800	-	-
Restricted cash and investments	-	-	-
Accounts receivable	191,349	-	-
Taxes receivable	24,949	-	-
Interest receivable	6,822	294	52,122
Due from other governmental agencies	8,873	-	-
Total Assets	$ 9,065,498	$ 3,133,498	$ 6,752,326
Liabilities, deferred inflows of resources, and fund balances:			
Liabilities:			
Accounts payable	$ 24,724	$ -	$ -
Accrued payroll	111,325	-	-
Due to other county funds	1,903	7	2
Due to other governmental agencies	21,186	-	-
Pre-need deposits	-	2,582,556	-
Total Liabilities	159,138	2,582,563	2
Deferred inflows of resources:			
Unavailable installment sale revenue	136,561	-	-
Fund Balances (Note 9):			
Nonspendable	-	-	-
Restricted	-	-	6,752,324
Committed	7,050,000	-	-
Assigned	-	550,935	-
Unassigned	1,719,799	-	-
Total Fund Balances	8,769,799	550,935	6,752,324
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 9,065,498	$ 3,133,498	$ 6,752,326

See accompanying Notes to the Financial Statements.

Permanent Fund Endowment Care Principal	Total Governmental Funds
$ -	$ 18,632,363
-	33,750
-	800
7,374,121	7,374,121
-	191,349
-	24,949
-	59,238
-	8,873
$ 7,374,121	$ 26,325,443
$ -	$ 24,724
-	111,325
-	1,912
-	21,186
-	2,582,556
-	2,741,703
-	136,561
7,374,121	7,374,121
-	6,752,324
-	7,050,000
-	550,935
-	1,719,799
7,374,121	23,447,179
$ 7,374,121	$ 26,325,443

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ORANGE COUNTY CEMETERY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2016

Fund balances for governmental funds	$ 23,447,179
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	6,771,093
Certain receivables are not available to pay for current period expenditures and therefore are reflected as deferred inflow of resources in the governmental funds	136,561
Net pension liability related to governmental activities are not financial resources and therefore are not reported in the funds	(533,906)
Deferred outflows of resources related to pensions	583,899
Long-term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities:	
Compensated absences	(206,442)
Deferred inflows of resources related to pensions	(311,329)
Net position of governmental activities	$ 29,887,055

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, 2016

		Special Revenue Funds	
	General Fund	Pre-Need Trust	Endowment Care Income
Revenues:			
Property taxes	$ 1,903,673	$ -	$ -
Interment space sales, interment services and other sales	2,627,950	336,149	-
Endowment fees	-	-	-
Investment income	71,721	64,995	365,013
Net increase (decrease) in fair value of investments	44,110	(677)	121,926
Other revenues	86,143	38	9
Total Revenues	4,733,597	400,505	486,948
Expenditures:			
Current:			
Salaries and employee benefits	1,931,885	-	-
Services and supplies	1,022,977	214	116
Capital outlay	460,037	-	-
Total Expenditures	3,414,899	214	116
Excess (deficiency) of revenues over (under) expenditures	1,318,698	400,291	486,832
Other Financing Sources (Uses) (Note 5)			
Transfers in	338,558	-	-
Transfers out	-	(338,558)	-
Other Financing Sources (Uses)	338,558	(338,558)	-
Net Change in Fund Balances	1,657,256	61,733	486,832
Fund Balances, Beginning	7,112,543	489,202	6,265,492
Fund Balances, Ending	$ 8,769,799	$ 550,935	$ 6,752,324

See accompanying Notes to the Financial Statements.

Permanent Fund Endowment Care Principal	Total Governmental Funds
$ -	$ 1,903,673
-	2,964,099
388,300	388,300
-	501,729
34,570	199,929
-	86,190
422,870	6,043,920
-	1,931,885
-	1,023,307
-	460,037
-	3,415,229
422,870	2,628,691
-	338,558
-	(338,558)
-	-
422,870	2,628,691
6,951,251	20,818,488
$ 7,374,121	$ 23,447,179

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, 2016

Net change in fund balances - total governmental funds:	$ 2,628,691
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	443,954
Depreciation expense	(327,156)
Change in unavailable revenue due to installment contract activity	(6,527)
Some expenses reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Net change in compensated absences	(11,210)
Pension expense reported on government wide statement of activities	(225,747)
Governmental fund expenditures for retirement contributions made prior to the measurement date are reported as a reduction (increase) of net pension liability (asset) on statement of net position	144,000
Change in net position of governmental activities	$ 2,646,005

See accompanying Notes to the Financial Statements.

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 (outflows) of resources, 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 are 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.

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 fund balance.

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, deferred outflows of resources, liabilities, and deferred inflows of resources 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. 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Investment Valuations:

As of July 1, 2015, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurements and Application*. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes, applying fair value to investments, and disclosures related to all hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure fair value: 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.

E. 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 acquisition 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

F. Deferred Outflows and Deferred Inflows of Resources:

The District reports deferred outflows and inflows of resources. A deferred outflow of resources is a consumption of net position or fund balance by the government that is applicable to a future reporting period. 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.

The District reports deferred outflows and inflows of resources related to pensions on the government-wide statement of net position. Pension related deferred outflows and inflows of resources will be recognized as a part of pension expense in future reporting periods. Refer to Note 7 for details on deferred inflows and outflows related to pensions.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. 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. 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 balances. 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.

H. 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, 2016, in the opinion of the District's management, the District had no material claims which would require a loss provision in the financial statements.

I. Pensions:

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's Orange County Employees Retirement System (OCERS) plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by OCERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

J. New Accounting Pronouncements:

Adopted in the Current Year

GASB Statement No. 72 – In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. The primary objective of this statement is to clarify the definition of fair value, establish general principles for measuring fair value, and enhancing disclosures about fair value measurements. The Statement is effective for periods beginning after June 15, 2015, or the 2015-16 fiscal year. The District adopted this pronouncement effective July 1, 2015.

GASB Statement No. 76 – In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this statement is to reduce the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55. The Statement is effective for the periods beginning after June 15, 2015, or the 2015-2016 fiscal year. The District adopted this pronouncement effective July 1, 2015.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. New Accounting Pronouncements (Continued):

Effective in Future Fiscal Years

GASB Statement No. 73 – In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68.* The objective of this statement establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria. The requirements of the Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, except for certain provisions applicable beginning after June 15, 2015. For the provisions effective June 30, 2016 there was no material impact to the District. For the provisions effective subsequent to FY 15-16, the District has not determined the effect of the statement.

GASB Statement No. 74 – In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.* The objective of the Statement is to address the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. The Statement requires more extensive note disclosures and RSI related to the measurement of the OPEB liabilities for which assets have been accumulated. The Statement is effective for periods beginning after June 15, 2016, or the 2016-2017 fiscal year. The pronouncement is applicable to OPEB plans.

GASB Statement No. 75 – In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The objective of the Statement is to replace the requirements of GASB Statement No. 45. In addition, the Statement requires governments to report a liability on the face of the financial statements for the OPEB provided and requires governments to present more extensive note disclosures and required supplementary information about their OPEB liabilities. The Statement is effective for the periods beginning June 15, 2017, or the 2017-2018 fiscal year. The District has not determined the effect of the statement.

GASB Statement No. 77 – In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. The Statement requires state and local governments to disclose information about tax abatement agreements. The Statement is effective for the periods beginning after December 15, 2015, or the 2016-2017 fiscal year. The District has not determined the effect of that statement.

GASB Statement No. 78 – In December 2015, GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans.* The Statement amends the scope and applicability of GASB Statement No. 68 to exclude certain types of cost-sharing multiple-employer plans. The Statement is effective for the periods beginning after December 15, 2015, or the 2016-2017 fiscal year. The District has not determined the effect of that statement.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. New Accounting Pronouncements (Continued):

Effective in Future Fiscal Years (Continued)

GASB Statement No. 79 – In December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. The Statement addresses accounting and financial reporting for certain external investment pools and pool participants. The Statement establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Both the qualifying external investment pools and their participants are required to disclose information about any limitations or restrictions on participant withdrawals. The Statement is effective for the periods beginning after June 15, 2015, except for the provisions in paragraph 18, 19, 23-26, and 40, which are effective for reporting periods beginning after December 15, 2015. For the provisions effective June 30, 2016 there was no material impact to the District. For the provisions effective subsequent to FY 15-16 the District has not determined the effect of the statement.

GASB Statement No. 80 – In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*. The objective of the Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The Statement is effective for the reporting periods beginning after June 15, 2016, or the 2016-2017 fiscal year. The District has not determined the effect of the statement.

GASB Statement No. 81 – In March 2016, GASB issued Statement No. 81, *Irrevocable Split–Interest Agreements*. The objective of the Statement is to improve financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, the Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. The Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The Statement is effective for the reporting periods beginning after December 15, 2016, or the 2017-2018 fiscal year. The District has not determined the effect of the statement.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. New Accounting Pronouncements (Continued):

Effective in Future Fiscal Years

GASB Statement No. 82 – In March 2016, GASB issued Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of the Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, the Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The Statement is effective for the reporting periods beginning after June 15, 2016, or the 2016-2017 fiscal year. The District has not determined the effect of the statement.

GASB Statement No. 83 – In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018, or the 2018-2019 fiscal year. The District has not determined its effect of the statement.

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 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.

NOTE 3 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2016 consisted of the following:

Cash and Investments:		
Investment in County Pool	$	2,085,821
Investment Trust of California		7,176,678
Cash in Bank		33,750
Imprest Cash		800
With Trustees:		
Cash		89,281
Investments		9,280,583
Restricted Assets:		
Investment in County Pool		38,750
With Trustees:		
Cash		171,720
Investments		7,163,651
Total Cash and Investments	$	26,041,034

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

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, mututal 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	A
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.
**Government Code restricts investment maturities to 5 years unless authorized by the Board. The Board has authorized maturities in excess of 5 years, as noted in the Investment Policy above.

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.

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

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:

		Term to Maturity			
Investment Type	Total Fair Value	12 Months or less	13 to 24 Months	25 to 60 Months	Greater than 60 Months
Orange County Investment Pool	$ 2,124,571	$ 2,124,571	$ -	$ -	$ -
Investment Trust of California	7,176,678	7,176,678	-	-	-
Medium Term Corporate Notes	7,337,808	1,250,804	753,653	4,558,667	774,684
Certificates of Deposit	5,216,234	1,047,654	495,931	2,619,194	1,053,455
Municipal Securities	1,476,130	200,824	101,290	775,918	398,098
Gov't Asset Backed/CMO Securities					
Federal National Mortgage Association	61,213	-	-	-	61,213
Governmental National Mortgage Association	34,065	-	-	-	34,065
U.S. Agency Securities:					
Federal Home Loan Bank	396,772	-	106,170	247,266	43,336
Federal National Mortgage Association	636,670	-	-	169,796	466,874
Federal Farm Credit Bank	337,020	-	-	-	337,020
Tennessee Valley Authority	153,111	-	-	153,111	-
Federal Home Loan Mortgage Corporation	795,211	-	-	795,211	-
	$ 25,745,483	$ 11,800,531	$ 1,457,044	$ 9,319,163	$ 3,168,745

As of June 30, 2016, the District held $95,278 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.

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:

			Actual Ratings at Year-end						
Investment Type	Total Fair Value	Minimum Rating	Aaa	Aa1	Aa2/Aa3**	A1	A2/A3*	Baa1/Baa2*	Not Rated
Orange County Investment Pool	$ 2,124,571	N/A	$ 2,124,571	$ -	$ -	$ -	$ -	$ -	$ -
Investment Trust of California	7,176,678	N/A	-	-	-	-	-	-	7,176,678
Medium Term Corporate Notes	7,337,808	A2	-	312,826	758,916	1,665,945	4,028,299	551,572	20,250
Certificates of Deposit	5,216,234	N/A	-	-	-	-	-	-	5,216,234
Municipal Securities	1,476,130	N/A	-	-	1,249,097	51,250	75,615	-	100,168
Gov't Asset Backed/CMO Securities:									
Federal National Mortgage Association	61,213	Aa2	32,161	-	29,052	-	-	-	-
Governmental National Mortgage Association	34,065	Aa2	34,065	-	-	-	-	-	-
U.S. Agency Securities:									
Federal Home Loan Bank	396,772	N/A	396,772	-	-	-	-	-	-
Federal National Mortgage Association	636,670	N/A	636,670	-	-	-	-	-	-
Federal Farm Credit Bank	337,020	N/A	337,020	-	-	-	-	-	-
Tennessee Valley Authority	153,111	N/A	153,111	-	-	-	-	-	-
Federal Home Loan Mortgage Corporation	795,211	N/A	795,211	-	-	-	-	-	-
	$ 25,745,483		$ 4,509,581	$ 312,826	$ 2,037,065	$ 1,717,195	$ 4,103,914	$ 551,572	$ 12,513,330

* Investments conformed to Government Code at the time of acquisition.
** Aa3 pertains to Medium Term Corporate Notes totaling $152,067.

The District holds investments in Lehman Brothers medium term notes, who declared Chapter 11 Bankruptcy on September 15, 2008. The notes are valued at $20,250 as of June 30, 2016, and are not rated by any of the nationally recognized credit rating organizations. In addition, the District holds investments in Allergan Inc. valued at $104,423, AT&T valued at $102,277, Bear Stearns valued at $93,108, Deutsche Bank Corporation valued at $100,297, and Western Union valued at $151,467. Those investments 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.

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 $2,124,571 of the District's cash and investments at June 30, 2016 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. Deposits and withdrawals to and from the Pool are made on the basis of $1 and not at fair value. Accordingly, the District's proportionate share of investments in the Pool at June 30, 2016 is measured using uncategorized inputs not defined as a Level 1, Level 2, or Level 3 inputs.

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

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. Accordingly, under the fair value hierarchy, the investment with CalTRUST is measured using uncategorized inputs not defined as Level 1, Level 2, or Level 3 inputs.

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, 2016 cash deposited in the District's revolving fund totaled $33,748.

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

Fair Value Measurements

Fair value measurements are categorized based on 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, including matrix pricing models; Level 3 inputs are significant unobservable inputs.

Investments' fair value measurements as of June 30, 2016 were as follows:

Investment Type	Fair Value	Level 1	Level 2	Level 3
Medium Term Corporate Notes	$ 7,337,808	$ -	$ 7,317,558	$ 20,250
Certificates of Deposit	5,216,234	-	5,216,234	-
Municipal Securities	1,476,130	-	1,476,130	-
Gov't Asset Backed/CMO Securities				
Federal National Mortgage Association	61,213	-	-	61,213
Governmental National Mortgage Association	34,065	-	-	34,065
U.S. Agency Securities:				
Federal Home Loan Bank	396,772	-	396,772	-
Federal National Mortgage Association	636,670	-	636,670	-
Federal Farm Credit Bank	337,020	-	337,020	-
Tennessee Valley Authority	153,111	-	153,111	-
Federal Home Loan Mortgage Corporation	795,211	-	795,211	-
Total leveled investments	16,444,234	$ -	$ 16,328,706	$ 115,528
Orange County Investment Pool	2,124,571			
Investment Trust of California	7,176,678			
Total investment portfolio	$ 25,745,483			

Deposits and withdrawals to and from the Orange County Investment Pool and Investments Trust of California are made on the basis of $1 and not fair value. Accordingly, under the fair value hierarchy, these investments are uncategorized.

NOTE 4 – CAPITAL ASSETS

Change in capital assets for the year ended June 30, 2016, were as follows:

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
Capital assets, not being depreciated:				
Land	$ 250,866	$ -	$ -	$ 250,866
Total Capital Assets, Not Being Depreciated	250,866	-	-	250,866
Capital assets, being depreciated:				
Structures and improvements	10,147,493	366,897	-	10,514,390
Furniture and equipment	910,736	102,364	(68,607)	944,493
Total Capital Assets, Being Depreciated	11,058,229	469,261	(68,607)	11,458,883
Less accumulated depreciation for:				
Structures and improvements	(4,057,549)	(270,326)	-	(4,327,875)
Furniture and equipment	(597,251)	(56,830)	43,300	(610,781)
Total Accumulated Depreciation	(4,654,800)	(327,156)	43,300	(4,938,656)
Total Capital Assets, Being Depreciated, Net	6,403,429	142,105	(25,307)	6,520,227
Capital Assets, Net of Accumulated Depreciated	$ 6,654,295	$ 142,105	$ (25,307)	$ 6,771,093

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.

NOTE 5 – INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2016, consisted of the following:

Transfer To	Transfer From Pre-Need Trust
General fund	$ 338,558

Interfund transfers are used to transfer the revenue associated with interment space sales, interment services and other taxable sales from the Pre-Need Trust Fund, at the time of use, to match the expenditures incurred by the General Fund for the related services.

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, 2016 were as follows:

	June 30, 2015	Additions	Reductions	June 30, 2016	Due within one year
Compensated absences	$ 195,232	$ 155,259	$ (144,049)	$ 206,442	$ 155,000

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

Plan Descriptions – All qualified regular full time and part-time employees participate in the Orange County Employees Retirement System (OCERS), cost-sharing multiple-employer defined benefit pension plan. OCERS was established in 1945. OCERS is administered by the Board of Retirement and governed by the County Employees' Retirement Law of 1937 (California Government Code Section 31450 et. seq.). OCERS main function is to provide service retirement, disability, death and survivor benefits to the plan participants, who include the County of Orange, Orange County Courts, the Orange County Retirement System, one City, and twelve special districts, including the District.

Management of OCERS is vested with the Orange County Board of Retirement. The Board consists of nine members and one alternate. The County Treasurer is a member of the Board of Retirement by law. Four members are appointed by the Board of Supervisors, one of whom may be a County supervisor. Two members are elected by the General membership; one member and one alternate are elected by the Safety membership, one member is elected by the retired members of the System. All members of the Board of Retirement serve terms of three years except for the County Treasurer whose term runs concurrent with the term as County Treasurer. OCERS issues a stand-alone annual financial report, which can be obtained at OCERS website.

NOTE 7 – PENSION PLAN (CONTINUED)

Benefits Provided – OCERS provides service retirement, disability, death and survivor benefits to eligible employees. All regular full-time employees of the County of Orange or contracting agencies who work a minimum of 20 hours per week become members of OCERS effective on the first day of employment in an eligible position. There are separate retirement plans for General and Safety member employees. New General Members employed after January 1, 2013 are designated as PEPRA General subject to the provisions of California Government Code 7522 et seq. and AB 197. The District's employees participate as General members.

General members prior to January 1, 2013 are eligible to retire once they attain the age of 50 and have acquired 10 or more years of retirement service credit. A member with 30 years of service is eligible to retire regardless of age. General members who are first hired on or after January 1, 2013 are eligible to retire once they have attained the age of 52, and have acquired five years of retirement service credit. All General members can also retire at the age of 70 regardless of service. The District participates in Plan M and N, which are 2.0% at 55 benefits. Plan M is for General Members hired before September 21, 1979, while Plan N is for members hired on or after September 21, 1979. Plan U is a 2.5% at 67 benefit for General Members hired on or after January 1, 2013.

The retirement benefit the member will receive is based upon age at retirement, final average compensation, years of retirement service credit and retirement plan and tier.

General member benefits are calculated pursuant to the provisions of California Government Code Sections 31676.01, 31676.1, 31676.12, 31676.16, 31676.18 or 31676.19. For section 31676.01, the monthly allowance is equal to 1/90th of final compensation times years of accrued retirement service credit times age factor from that Section. For Section 31676.1, the monthly allowance is equal to 1/60th of final compensation times years of accrued retirement service credit times age factor from the Section. For Sections 31676.12, 31676.16, 31676.18 or 31676.19, the monthly allowance is equal to 1/50th of final compensation times years of accrued retirement service credit times age factor from the corresponding Section. General member benefits for those who are first hired on or after January 1, 2013 are calculated pursuant to the provision California Government Code Section 7522.20(a). The monthly allowance is equal to the final compensation multiplied by years of accrued retirement credit multiplied by the age factor from Section 7522.20(a).

For members with membership dates before January 1, 2013 the maximum monthly retirement allowance is 100% of final compensation. There is no maximum with membership dates on or after January 1, 2013.

Final average compensation consists of the highest 12 consecutive months for Plan M, and the highest 36 consecutive months for Plans N and U.

The member may elect an unmodified retirement allowance, or choose an optional retirement allowance. The unmodified retirement allowance provides the highest monthly benefit and a 60% continuance to an eligible surviving spouse or domestic partner. An eligible surviving spouse or domestic partner is one married to or registered with the member one year prior to the effective retirement date. Certain surviving spouses or domestic partners may also be eligible if marriage or domestic partnership was at least two years prior to the date of death and the surviving spouse or domestic partner has attained age 55. There are four optional retirement allowances the member may choose. Each of the optional retirement allowances requires a reduction in the unmodified retirement allowance in order to allow the member the ability to provide certain benefits to a surviving spouse, domestic partner, or named beneficiary having an insurable interest in the life of the member.

OCERS provides an annual cost-of-living benefit to all retirees. The cost-of-living adjustments, based upon the Consumer Price Index for All Urban Consumers for the Los Angeles-Riverside-Orange County Area, is capped at 3.0%.

NOTE 7 – PENSION PLAN (CONTINUED)

Contributions – The District contributes to the retirement plan based upon actuarially determined contribution rates adopted by the Board of Retirement. Employer contribution rates are adopted annually based upon recommendations received from OCERS' actuary after the completion of the annual actuarial valuation. The contribution rates for FY 2015-16 (based on the December 31, 2013 valuation) were 12.33% of compensation for plan M and N members and 8.66% of compensation for plan U members. Contributions to the plan in FY 2015-16 were $144,000, which were paid to the Plan in October 2015, and immediately recognized as part of fiduciary net position by the Plan.

All members are required to make contributions to OCERS regardless of the retirement plan or tier in which they are included. The member contribution rates for FY 2015-16 vary by member based on age of entry. The range of contribution rates is as follows: plan M (2.0% @ 55) – 7.89% to 13.22%, plan N (2.0% @ 55) – 7.54% to 13.22%, and Plan U (PEPRA) - 7.96% to 13.04%.

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2016, the District reported a net pension liability of $533,906 for its proportionate share of the collective net pension liability. The collective net pension liability for the Plan was measured as of December 31, 2015. Plan fiduciary net position was valued as of the measurement date, while the total pension liability (TPL) was determined based upon rolling forward the TPL from an actuarial valuation as of December 31, 2014. The plan provisions used in the measurement of the net pension liability are the same as those used in the OCERS actuarial valuations as of December 31, 2014. At December 31, 2014 and 2015, the District's proportion of the collective net pension liability was as follows:

	Miscellaneous
Proportion - December 31, 2014	-0.002%
Proportion - December 31, 2015	0.009%
Change - Increase (Decrease)	0.011%

At the year ended June 30, 2016, the District recognized pension expense of $225,747. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net differences between projected and actual earnings on plan investments	$ 552,158	$ -
Differences between actual and expected experience	31,741	174,426
Changes in assumptions	-	136,903
Total	$ 583,899	$ 311,329

NOTE 7 – PENSION PLAN (CONTINUED)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year ended June 30		
2017	$	76,763
2018		76,763
2019		76,761
2020		49,043
2021		(7,136)
Thereafter		376
	$	272,570

Actuarial Assumptions – The collective total pension liability as of December 31, 2015 was remeasured by (1) revaluing the TPL as of December 31, 2014 (before the roll forward) to include the following actuarial assumptions that the Retirement Board approved for use in the pension valuation as of December 31, 2015 and (2) using this revalued TPL in rolling forward the results from December 31, 2014 to December 31, 2015:

Actuarial Assumptions:	
Inflation	3.00%
Salary increases	General: 4.25% to 13.50%, varying by service, including inflation
Investment Rate of Return	7.25%, net of pension plan investment expense, including inflation

Post – Retirement Mortality Rates:

Healthy:	For General Members: RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020.
Disabled:	For General Members: RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020 with ages set forward six years for males and set forward three years for females.
Beneficiaries:	Beneficiaries are assumed to have the same mortality as a General Member of the opposite sex who is receiving a service (non-disability) retirement.

Discount Rate – The discount rate used to measure the total pension liability was 7.25% for the Plan. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that the District's contributions will be made at rates equal to the actuarially determined contributions rates. For this purpose, only employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 7 – PENSION PLAN (CONTINUED)

The long-term expected rate of return of 7.25% on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation (approved by the Board of Retirement) and projected arithmetic real rates of return for each major asset class, after deducting inflation but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap U.S. Equity	14.90%	5.92%
Small/Mid Cap U.S. Equity	2.73%	6.49%
Developed International Equity	10.88%	6.90%
Emerging International Equity	6.49%	8.34%
Core Bonds	10.00%	0.73%
Global Bonds	2.00%	0.30%
Emerging Market Debt	3.00%	4.00%
Real Estate	10.00%	4.96%
Diversified Credit (US Credit)	8.00%	4.97%
Diversified Credit (Non-US Credit)	2.00%	6.76%
Hedge Funds	7.00%	4.13%
GTAA	7.00%	4.22%
Real Return	10.00%	5.86%
Private Equity	6.00%	9.60%
Total	100%	

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability (asset) of the District for the Plan, calculated using the discount rate of 7.25%, as well as what the District's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease 6.25%	Discount Rate 7.25%	1% Increase 8.25%
District's proportionate share of the net pension liability (asset)	$ 1,699,073	$ 533,906	$ (424,820)

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued OCERS financial reports.

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 the 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 is 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, 2016, 2015, and 2014, were $45,182, $44,102, and $47,259, 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 $29,887,055, including $8,989,517 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, which are considered equally binding. 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.

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.

		Special Revenue Funds		Permanent Fund	
	General Fund	Pre-Need Trust	Endowment Care Income	Endowment Care Principal	Total Governmental Funds
Fund Balance:					
Nonspendable					
Endowment principal	$ -	$ -	$ -	$ 7,374,121	$ 7,374,121
Restricted					
Maintenance	-	-	6,752,324	-	6,752,324
Committed					
Land acquisition	5,500,000	-	-	-	5,500,000
Capital improvement	1,550,000	-	-	-	1,550,000
Assigned					
Future Cemetery Care	-	550,935	-	-	550,935
Unassigned	1,719,799	-	-	-	1,719,799
Total Fund Balance	$ 8,769,799	$ 550,935	$ 6,752,324	$ 7,374,121	$ 23,447,179

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.

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REQUIRED SUPPLEMENTARY INFORMATION

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ORANGE COUNTY CEMETERY DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
LAST TEN YEARS*
YEAR ENDED JUNE 30, 2016

	2016	2015
Proportion of the net pension liability (asset)	0.009%	-0.002%
Proportionate share of the net pension liability (asset)	$ 533,906	$ (95,350)
Covered - employee payroll	$ 1,434,958	$ 1,455,632
Proportionate Share of the net pension liability (asset) as a percentage of covered-employee payroll	37.21%	-6.55%
Plan fiduciary net position as a percentage of the total pension liability	67.10%	69.42%
Measurement Date	12/31/2015	12/31/2014

* - Fiscal year 2015 was the first year of implementation, therefore, only two years are shown

ORANGE COUNTY CEMETERY DISTRICT
SCHEDULE OF CONTRIBUTIONS
LAST TEN YEARS*
YEAR ENDED JUNE 30, 2016

	2016		2015	
Actuarially determined contributions	$	144,000	$	173,708
Contributions in relation to the actuarially determined contribution		(144,000)		(1,837,000)
Contribution deficiency (excess)	$	-	$	(1,663,292)
Covered-employee payroll	$	1,517,275	$	1,417,670
Contributions as a percentage of covered-employee payroll		9.49%		129.58%

* - Fiscal year 2015 was the first year of implementation, therefore, only two years are shown.

ORANGE COUNTY CEMETERY DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2016

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Property taxes	$ 1,864,193	$ 1,903,673	$ 39,480
Interment space sales, interment services and other sales	2,830,444	2,627,950	(202,494)
Investment income	39,235	71,721	32,486
Net increase (decrease) in fair value of investments	-	44,110	44,110
Other revenues	73,279	86,143	12,864
Total Revenues	4,807,151	4,733,597	(73,554)
Expenditures:			
Current:			
Salaries and employee benefits	2,045,568	1,931,885	113,683
Services and supplies	1,001,870	1,022,977	(21,107)
Capital expenditures	827,752	460,037	367,715
Total Expenditures	3,875,190	3,414,899	460,291
Excess (deficiency) of revenues over (under) expenditures	931,961	1,318,698	386,737
Other Financing Sources (Uses)			
Transfers in	-	338,558	338,558
Net Change in Fund Balance	931,961	1,657,256	$ 725,295
Fund Balance, Beginning	7,112,543	7,112,543	
Fund Balance, Ending	$ 8,044,504	$ 8,769,799	

See accompanying note to the required supplementary information.

ORANGE COUNTY CEMETERY DISTRICT
PRE-NEED TRUST SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2016

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Interment space sales, interment services and other sales	$ 235,000	$ 336,149	$ 101,149
Investment income	42,634	64,995	22,361
Net increase (decrease) in fair value of investments	-	(677)	(677)
Other revenues	-	38	38
Total Revenues	277,634	400,505	122,871
Expenditures:			
Current:			
Services and supplies	500	214	286
Excess (deficiency) of revenues over (under) expenditures	277,134	400,291	123,157
Other Financing Sources (Uses)			
Transfers out	(100,000)	(338,558)	(238,558)
Net Change in Fund Balance	177,134	61,733	$ (115,401)
Fund Balance, Beginning	489,202	489,202	
Fund Balance, Ending	$ 666,336	$ 550,935	

See accompanying note to the required supplementary information.

ORANGE COUNTY CEMETERY DISTRICT
ENDOWMENT CARE INCOME SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2016

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment income	$ 360,065	$ 365,013	$ 4,948
Net increase (decrease) in fair value of investments	-	121,926	121,926
Other revenues	-	9	9
Total Revenues	360,065	486,948	126,883
Expenditures:			
Current:			
Services and supplies	200	116	84
Net Change in Fund Balance	359,865	486,832	$ 126,967
Fund Balance, Beginning	6,265,492	6,265,492	
Fund Balance, Ending	$ 6,625,357	$ 6,752,324	

See accompanying note to the required supplementary information.

NOTE 1 – 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 amendments 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.

Excess of expenditures over appropriations in individual funds are as follows:

Fund/Account	Final budget	Expenditures/ Transfers Out	Excess
Pre-Need Trust Fund	$ 100,000	$ 338,558	$ (238,558)

Expenditures are in excess of appropriations for the pre-need trust fund due to the unbudgeted transfer to the General Fund of net costs associated with pre-need services recognized during FY 2015-16.

OTHER INFORMATION

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ORANGE COUNTY CEMETERY DISTRICT
SCHEDULE OF GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2016

Salaries and employee benefits:	
Salaries and wages	$ 1,393,635
Retirement contributions and retiree medical insurance	189,182
Medical, unemployment and compensation insurance contributions	349,068
Total Salaries and Employee Benefits	1,931,885
Services and supplies:	
Communications	23,316
Insurance	25,532
Maintenance of equipment	91,339
Maintenance of structures, improvements and grounds	270,529
Office	51,340
Professional and specialized services	244,890
Publications, legal notices and memberships	10,858
Equipment rental	4,687
Small tools	10,604
Transportation and travel	15,847
Utilities	130,525
Special department	143,510
Total Services and Supplies	1,022,977
Capital outlay:	
Structures and improvements	460,037
Total Expenditures	$ 3,414,899