

**NORTH CAROLINA CEMETERY COMMISSION**

**RALEIGH, NORTH CAROLINA**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2016**



OFFICE COPY

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## **C O N T E N T S**

**JUNE 30, 2016**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Commissioners  
North Carolina Cemetery Commission  
Raleigh, North Carolina

We have audited the accompanying financial statements of the North Carolina Cemetery Commission (the Commission), an enterprise fund of the state of North Carolina, which comprise the statement of net position as of June 30, 2016, and the related statements of revenues, expenses and changes in net position, and cash flows for the fiscal year then ended, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion 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. 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.

**CERTIFIED PUBLIC ACCOUNTANTS**

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Tel 919-872-1260 Fax 919-872-6182 [www.stancilcpa.com](http://www.stancilcpa.com)

**INDEPENDENT AUDITOR'S REPORT****CONTINUED**

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

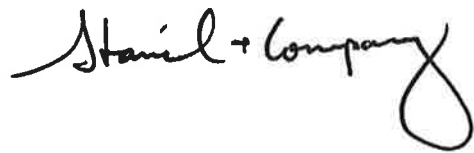
**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the North Carolina Cemetery Commission's activities as of June 30, 2016, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters***Required Supplementary Information*

Management has omitted the Management Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Raleigh, North Carolina  
October 6, 2016

A handwritten signature in black ink that reads "Stanislav + Company". The signature is written in a cursive, flowing style with a large loop at the end.

# NORTH CAROLINA CEMETERY COMMISSION

## STATEMENT OF NET POSITION

JUNE 30, 2016

### ASSETS

**Current Assets:**

|                                       |                |
|---------------------------------------|----------------|
| Cash and Cash Equivalents             | \$ 391,978     |
| Accounts Receivable, Net of Allowance | 18,397         |
| Prepaid Expenses                      | 928            |
| Notes Receivable                      | 20,042         |
| <b>Total Current Assets</b>           | <u>431,345</u> |

**Noncurrent Assets:**

|                                     |              |
|-------------------------------------|--------------|
| Capital Assets, Net of Depreciation | <u>1,590</u> |
|-------------------------------------|--------------|

|                     |                          |
|---------------------|--------------------------|
| <b>Total Assets</b> | <u><u>\$ 432,935</u></u> |
|---------------------|--------------------------|

### LIABILITIES AND NET POSITION

**Current Liabilities:**

|                                    |               |
|------------------------------------|---------------|
| Accounts Payable                   | \$ 5,470      |
| Accrued Payroll Expenses           | 2,003         |
| Accrued Vacation                   | 750           |
| Deferred Revenue - Current Portion | 74,914        |
| <b>Total Current Liabilities</b>   | <u>83,137</u> |

**Noncurrent Liabilities:**

|                                     |              |
|-------------------------------------|--------------|
| Deferred Rent Liability             | 4,040        |
| Deferred Revenues                   | 2,200        |
| <b>Total Noncurrent Liabilities</b> | <u>6,240</u> |

**Net Position:**

|                            |                |
|----------------------------|----------------|
| Invested in Capital Assets | 1,590          |
| Unrestricted Net Position  | 341,968        |
| <b>Total Net Position</b>  | <u>343,558</u> |

|   |                          |
|---|--------------------------|
| <b>Total Liabilities and Net Position</b> | <u><u>\$ 432,935</u></u> |
|---|--------------------------|

*See Independent Auditor's Report and Accompanying Notes to the Financial Statements*

# NORTH CAROLINA CEMETERY COMMISSION

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEAR ENDED JUNE 30, 2016

### Operating Revenues:

|                                 |                |
|---------------------------------|----------------|
| Assessments                     | \$ 144,707     |
| Business License Renewals       | 85,500         |
| Individual License Renewals     | 13,400         |
| Court Settlement Fees           | 14,500         |
| Penalties                       | 20,000         |
| Application Fees                | 6,700          |
| Other                           | 6,798          |
| <b>Total Operating Revenues</b> | <u>291,605</u> |

### Operating Expenses

|  |                |
|--|----------------|
| Salaries, Payroll Taxes and Related Benefits | 55,482         |
| Cemetery Inspections                         | 38,944         |
| Legal Services                               | 35,070         |
| Contract Services - Director                 | 28,265         |
| Accounting Services                          | 21,210         |
| Facilities: Rent and Utilities               | 15,679         |
| Travel                                       | 4,691          |
| Postage and Printing                         | 3,620          |
| Office Supplies                              | 3,259          |
| Information Technology                       | 2,632          |
| Miscellaneous                                | 1,565          |
| Depreciation                                 | 1,222          |
| Meeting, Conferences, and Conventions        | 926            |
| <b>Total Operating Expenses</b>              | <u>212,565</u> |

### Operating Income

79,040

### Non-Operating Revenues

|                                     |            |
|-------------------------------------|------------|
| Interest Income                     | 271        |
| <b>Total Non-Operating Revenues</b> | <u>271</u> |

### Change in Net Position

79,311

### Net Position - Beginning of Year

264,247

### Net Position - End of Year

\$ 343,558

*See Independent Auditor's Report and Accompanying Notes to the Financial Statements*

# NORTH CAROLINA CEMETERY COMMISSION

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2016

### Cash Flows from Operating Activities:

|  |               |
|--|---------------|
| Cash Received from Fees                                | \$ 309,395    |
| Cash Payments to Employees for Services                | (44,480)      |
| Cash Payments to Other Suppliers of Goods or Services  | (165,777)     |
| <b>Net Cash Flows Provided by Operating Activities</b> | <u>99,138</u> |

### Cash Flows from Investing Activities:

|  |            |
|--|------------|
| Cash Received from Interest                            | 271        |
| <b>Net Cash Flows Provided by Investing Activities</b> | <u>271</u> |

|                           |        |
|---------------------------|--------|
| <b>Net Change in Cash</b> | 99,409 |
|---------------------------|--------|

|                         |                |
|-------------------------|----------------|
| <b>Cash - Beginning</b> | <u>292,569</u> |
|-------------------------|----------------|

|                      |                          |
|----------------------|--------------------------|
| <b>Cash - Ending</b> | <u><u>\$ 391,978</u></u> |
|----------------------|--------------------------|

### Reconciliation of Operating Income

#### to Net Cash Provided by Operating Activities:

|   |                         |
|---|-------------------------|
| Operating Income  | \$ 79,040               |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities: |                         |
| Depreciation  | 1,222                   |
| Changes in Assets and Liabilities:  |                         |
| (Increase) Decrease in Receivables  | (9,973)                 |
| (Increase) Decrease in Prepaid Expenses   | 97                      |
| Increase (Decrease) in Accounts Payable   | (2,518)                 |
| Increase (Decrease) in Accrued Expenses   | (534)                   |
| Increase (Decrease) in Accrued Expenses   | 4,040                   |
| Increase (Decrease) in Deferred Revenue   | 27,764                  |
| <b>Net Cash Flows Provided by Operating Activities</b>                                  | <u><u>\$ 99,138</u></u> |

# NORTH CAROLINA CEMETERY COMMISSION

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

### 1. NATURE OF OPERATIONS:

The North Carolina Cemetery Commission (the "Commission") is an occupational licensing board and is authorized by Chapter 65, Article 9 of the NC General Statutes. The Commission is responsible for the regulation and supervision of cemeteries, cemetery sales organizations, cemetery brokers and individual pre-need cemetery sales people licensed under the laws of North Carolina. Income is primarily derived from license fees, assessments, and application fees.

Until June 30, 2012, the Commission was organized under the North Carolina Department of Commerce. A North Carolina congressional law made it independent beginning with the fiscal year ended June 30, 2013. The Governor appoints seven members of the Commission: two owners and/or managers of cemeteries; three nominees submitted by the N.C. Cemetery Association; and two public members who have no financial interest in and are not involved in management of any cemetery or funeral-related business. One member is appointed by the NC General Assembly on the recommendation of the President Pro Tempore of the Senate, and one member is appointed by the General Assembly on the recommendation of the Speaker of the House. All of the members are subject to the State Government Ethics Act.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

#### **Basis of Presentation**

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

All activities of the Commission are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

#### **Reporting Entity**

The Commission is a component unit of the State of North Carolina. GASB Codification Section 2100 has defined the governmental reporting entity to be the State of North Carolina because the State exercises oversight responsibility in that the Governor and General Assembly appoint Commission members, and public service is rendered within the State's boundaries. The accompanying financial statements present only the activity of the North Carolina Cemetery Commission.

*See Independent Auditor's Report*



**NORTH CAROLINA CEMETERY COMMISSION****NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2016****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)****Basis of Accounting**

The Commission presents a Statement of Net Position; a Statement of Revenues, Expenses and Changes in Net Position; and a Statement of Cash Flows. These statements reflect entity-wide operations of the Commission. The Commission has no fiduciary or component units.

The financial statements report all activities of the Commission using the economic resource measurement focus and the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recognized when incurred, if measurable.

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Commission. Other revenues and expenses are classified as non-operating in the financial statements.

**Cash and Cash Equivalents**

Cash and cash equivalents represent highly liquid investments with original maturities of three months or less at date of purchase.

**Accounts Receivable**

The Commission records receivables for assessment fees which are earned approximately one month in advance of receipt. The Commission recorded an allowance for doubtful accounts totaling \$1,600 for the year ended June 30, 2016, based on management's review of the collectability of specific accounts.

**Notes Receivable**

Note Receivable consist of amounts due from licensed cemeteries who were required to pay court settlement fees or penalty income over a period of time. All amounts are deemed collectible, and all amounts are due within one year.

**NORTH CAROLINA CEMETERY COMMISSION****NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2016****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)****Fair Value of Financial Instruments:**

Professional standards require disclosure about the fair value for all financial instruments, whether or not recognized, for financial statement purposes. Disclosures about fair value of financial instruments are based on pertinent information available to management as of June 30, 2016. Accordingly, the estimates presented in these statements are not necessarily indicative of the amounts that could be realized on disposition of the financial instruments. Management has estimated that the fair values of cash, accounts payable and accrued expenses to approximate their respective carrying values reported on these statements because of their short maturities.

**Capital Assets**

Capital assets that have a cost over \$500 are capitalized and are depreciated using the straight-line method over their useful lives. The Commission used 5 years as an estimate for all of its equipment.

Depreciation expense totaled \$1,222 for the fiscal year ended June 30, 2016.

**Deferred Revenue**

The renewal cycle begins in July for all types of licenses. Business license renewals last for one year, and if they are received prior to June 30, they will be deferred until the following year to which they relate. Individual license renewals last for two years, and those fees are deferred and recognized as revenue over the two-year period to which they relate.

**Deposits and Investments**

All funds of the Commission are deposited in board-designated official depositories. The Commission's deposits include cash on deposit with private bank accounts and money market accounts. At June 30, 2016, deposits in private financial institutions, with a carrying value of \$391,978 and a bank balance of \$392,494, consist of cash and cash equivalents, as show on the Statement of Net Position.

There are no legal limitations to the types of investments held by the Commission. The Commission has not adopted any formal investment policies but is committed to protecting principal.

*See Independent Auditor's Report*

# NORTH CAROLINA CEMETERY COMMISSION

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

#### Deposits and Investments (Continued)

The Commission is subject to the following risk:

*Custodial Credit Risk:* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Board manages credit risk by using multiple banking institutions in order to insure all deposits are FDIC insured.

The Commission places its cash and cash equivalents and certificates of deposits with a financial institution in the United States. Effective January 1, 2013, the Federal Deposit Insurance Corporation (FDIC) covers up to \$250,000 for substantially all depository accounts. The Commission did not exceed these limits as of June 30, 2016.

#### Income Taxes

The Commission is a component of the State of North Carolina and is consequently exempt from federal and state income taxes.

#### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### 3. CAPITAL ASSETS

Capital assets are comprised of the following:

|                            | Cost<br>June 30,<br>2015 | Acquisitions | Retirements/<br>Disposals | Cost<br>June 30,<br>2016 | Accumulated<br>Depreciation | Net<br>Amount   |
|----------------------------|--------------------------|--------------|---------------------------|--------------------------|-----------------------------|-----------------|
| Furniture and<br>Equipment | \$ 2,112                 | \$ -         | \$ -                      | \$ 2,112                 | \$ (1,455)                  | \$ 657          |
| Website<br>Development     | 4,000                    | -            | -                         | 4,000                    | (3,067)                     | 933             |
|                            | <u>\$ 6,112</u>          | <u>\$ -</u>  | <u>\$ -</u>               | <u>\$ 6,112</u>          | <u>\$ (4,522)</u>           | <u>\$ 1,590</u> |

*See Independent Auditor's Report*

# NORTH CAROLINA CEMETERY COMMISSION

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

### 4. CHANGE IN LONG-TERM LIABILITIES

The change in the long-term liabilities is as follows:

|          | Balance<br>June 30,<br>2015 | Increases        | Decreases        | Balance<br>June 30,<br>2016 | Current<br>Portion<br>of Balance | Long-Term<br>Portion<br>of Balance |
|----------|-----------------------------|------------------|------------------|-----------------------------|----------------------------------|------------------------------------|
| Accrued  |                             |                  |                  |                             |                                  |                                    |
| Vacation | \$ -                        | \$ 750           | \$ -             | \$ 750                      | \$ 750                           | \$ -                               |
| Deferred |                             |                  |                  |                             |                                  |                                    |
| Rent     | -                           | 4,040            | -                | 4,040                       | -                                | 4,040                              |
| Deferred |                             |                  |                  |                             |                                  |                                    |
| Revenues | 49,350                      | 72,689           | 44,925           | 77,114                      | 74,914                           | 2,200                              |
|          | <u>\$ 49,350</u>            | <u>\$ 77,479</u> | <u>\$ 44,925</u> | <u>\$ 81,904</u>            | <u>\$ 75,664</u>                 | <u>\$ 6,240</u>                    |

### 5. NET POSITION

Invested in capital assets - This component of net position consists of capital assets, net of accumulated depreciation.

Unrestricted net position - This component of net position consists of net assets that do not meet the definition of restricted or invested in capital assets.

The Board has reserved a portion of unrestricted net assets to protect consumers against cemetery financial failures. The Board's reserved unrestricted net assets at June 30, 2016 are summarized as follows:

|                          | Balance<br>June 30,<br>2015 | Transfers and<br>Receipts | Transfers and<br>Expenditures | Balance<br>June 30,<br>2016 |
|--------------------------|-----------------------------|---------------------------|-------------------------------|-----------------------------|
| Consumer Protection Fund | <u>\$ 139,173</u>           | <u>\$ 35,951</u>          | <u>\$ -</u>                   | <u>\$ 175,124</u>           |

*See Independent Auditor's Report*

# NORTH CAROLINA CEMETERY COMMISSION

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

### 6. LEASE COMMITMENTS:

#### Operating Leases

In 2011, the Commission entered into a lease agreement for office space that lasted until August 31, 2014. The Commission then began leasing the space on a month to month basis. In December 2015, the Commission entered into a new lease agreement ending in November 2020 with tiered rent, beginning at \$583 per month and ending at \$1,344 per month.

Operating lease expense for the fiscal year ended June 30, 2016 totaled \$13,249.

Current and future rental payments and deferred lease liability are as follows:

|      | Actual<br>Required<br>Lease<br>Payments | Rent Expense<br>Annualized on<br>Straight-Line<br>Method | Deferred<br>Lease<br>Liability<br>Adjustment | Deferred<br>Lease<br>Liability |
|------|---|--|--|--------------------------------|
| 2016 | \$ 4,081                                | \$ 8,121   | \$ 4,040                                     | \$ 4,040                       |
| 2017 | 11,706                                  | 13,922   | 2,216  | 6,256                          |
| 2018 | 15,317                                  | 13,922   | (1,395)                                      | 4,861                          |
| 2019 | 15,742                                  | 13,922   | (1,820)                                      | 3,041                          |
| 2020 | 16,043                                  | 13,922   | (2,121)                                      | 920                            |
| 2021 | 6,721                                   | 5,801  | (920)  | -                              |
|      | <u>\$ 69,610</u>                        | <u>\$ 69,610</u>   | <u>\$ -</u>                                  |                                |

### 7. GAIN CONTINGENCY

As part of a settlement agreement made and entered into effective the eighth day of March, 2013, between the Commission and LQ Legacy Cemetery Funds Management Company (LQ), it was agreed that the LQ parties and affiliates would reimburse the Commission for legal expenses incurred in action against LQ to that point. The reimbursement settlement of \$39,500 was received after year end in August 2016.

*See Independent Auditor's Report*

**NORTH CAROLINA CEMETERY COMMISSION****NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2016****8. RISK MANAGEMENT:**

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and the destruction of assets; errors and omissions; injuries to employees; and natural disaster. Tort claims of board members up to \$1,000,000 are self-insured by the State under the authority of the State Tort Claims Act.

**9. EVENTS OCCURRING AFTER REPORTING DATE:**

The Commission has evaluated events and transactions that occurred between June 30, 2016 and October 6, 2016, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

**10. COST OF AUDIT:**

The number of hours used in conducting the audit and in preparation of the audit report for the year ended June 30, 2016 is approximately 90. The total cost of conducting the audit and preparing the audit report for the year ended June 30, 2016 is \$7,000.





October 6, 2016

To the Board of Commissioners  
North Carolina Cemetery Commission  
Raleigh, North Carolina

We have audited the financial statements of the North Carolina Cemetery Commission for the year ended June 30, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 18, 2016. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Commission are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Commission during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Commission's financial statements were:

- Depreciable lives of fixed assets
- Receivables related to assessment income
- Various revenues to be deferred

We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

CERTIFIED PUBLIC ACCOUNTANTS

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October 6, 2016

To the Board of Commissioners  
North Carolina Cemetery Commission  
Raleigh, North Carolina

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#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Commission are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Commission during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Commission's financial statements were:

- Depreciable lives of fixed assets
- Receivables related to assessment income
- Various revenues to be deferred

We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- Note 2 describing deferred revenue
- Note 7 describing a gain contingency

We evaluated the key factors and assumptions used to develop the note disclosures in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedules summarize corrected and uncorrected misstatements of the financial statements. Management has determined that the effects of the uncorrected misstatements are immaterial, both individually and in the aggregate to the financial statements taken as a whole.

#### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representation*

We have requested certain representations from management that are included in the management representation letter dated October 6, 2016.

To the Board of Directors  
North Carolina Cemetery Commission  
October 6, 2016  
Page Three

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Commission’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Commission’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We advised management that the Management Discussion and Analysis is required supplementary information (RSI). Management has decided not to report on this information.

Restriction on Use

This information is intended solely for the use of the Board of Commissioners and management of the Commission and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



Stancil & Company

Client: **23361 - North Carolina Cemetery Commission**  
Engagement: **23361 - 6.30.16 Audit N.C. Cemetery Commission**  
Period Ending: **6/30/2016**  
Trial Balance: **2a - Annual Trial Balance - 2 Year**  
Workpaper: **2c.1 - Adjusting Journal Entries Report - 2**

| Account   | Description                                  | W/P Ref | Debit            | Credit           |
|---|--|---------|------------------|------------------|
| <b>Adjusting Journal Entries JE # 1</b>   |  |         |                  |                  |
| PBC: To adjust for cemetery fees that should have been recorded in revenue.               |  | 10-1    |                  |                  |
| 2100  | Deferred Fees - Cemetery License             |         | 500.00           |                  |
| 4010  | Cemetery License Fees                        |         |                  | 500.00           |
| <b>Total</b>  |  |         | <b>500.00</b>    | <b>500.00</b>    |
| <b>Adjusting Journal Entries JE # 2</b>   |  |         |                  |                  |
| To adjust for a deferred rent liability.  |  | 30-1    |                  |                  |
| 5100  | Facilities and Equipment: Rent and Utilities |         | 4,040.13         |                  |
| 2075  | Deferred Rent Liability                      |         |                  | 4,040.13         |
| <b>Total</b>  |  |         | <b>4,040.13</b>  | <b>4,040.13</b>  |
| <b>Adjusting Journal Entries JE # 3</b>   |  |         |                  |                  |
| To account for 2014 invoice that needs to be run through current year expense.            |  | DD-1    |                  |                  |
| 5490  | Operations: Miscellaneous                    |         | 1,297.32         |                  |
| 3010  | Retained Earnings                            |         |                  | 1,297.32         |
| <b>Total</b>  |  |         | <b>1,297.32</b>  | <b>1,297.32</b>  |
| <b>Adjusting Journal Entries JE # 4</b>   |  |         |                  |                  |
| Client should not make: To reclass prepaids out of A/P to prepaid expenses.               |  | AA-1.1  |                  |                  |
| 1200  | Prepaids                                     |         | 928.13           |                  |
| 2010  | Accounts Payable                             |         |                  | 928.13           |
| <b>Total</b>  |  |         | <b>928.13</b>    | <b>928.13</b>    |
| <b>Adjusting Journal Entries JE # 5</b>   |  |         |                  |                  |
| To adjust deferrals per client's "Expires 2017" workpaper to actual.                      |  | 10-2    |                  |                  |
| 4020  | Individual Lic. Fees                         |         | 750.00           |                  |
| 2120  | Deferred Individual Lic Fees                 |         |                  | 750.00           |
| <b>Total</b>  |  |         | <b>750.00</b>    | <b>750.00</b>    |
| <b>Adjusting Journal Entries JE # 6</b>   |  |         |                  |                  |
| To adjust applicaiton fees to actual per client's "Expires 2017" workpaper.               |  | 10-2-2  |                  |                  |
| 4020  | Individual Lic. Fees                         |         | 350.00           |                  |
| 4040  | Application Fees                             |         |                  | 350.00           |
| <b>Total</b>  |  |         | <b>350.00</b>    | <b>350.00</b>    |
| <b>Adjusting Journal Entries JE # 7</b>   |  |         |                  |                  |
| To adjust for a third party reimbursements of expenses that was recorded to other income. |  | 10-4    |                  |                  |
| 4090  | Other Income                                 |         | 4,949.91         |                  |
| 5042  | CONTRACT SERVICES:CEMETERY                   |         |                  | 905.36           |
| 5044  | CONTRACT SERVICES:CEMETERY                   |         |                  | 3,419.55         |
| 5084  | CONTRACT SERVICES:LEGAL SERVICES:General     |         |                  | 625.00           |
| <b>Total</b>  |  |         | <b>4,949.91</b>  | <b>4,949.91</b>  |
| <b>Adjusting Journal Entries JE # 8</b>   |  |         |                  |                  |
| To adjust A/R to actual.  |  | B-1     |                  |                  |
| 1100  | Accounts Receivable                          |         | 16,770.00        |                  |
| 4050  | Assessments                                  |         |                  | 16,770.00        |
| <b>Total</b>  |  |         | <b>16,770.00</b> | <b>16,770.00</b> |
| <b>Adjusting Journal Entries JE # 9</b>   |  |         |                  |                  |
| To adjust individual deferred license revenue to actual.                                  |  | 10-2    |                  |                  |

Client: **23361 - North Carolina Cemetery Commission**  
Engagement: **23361 - 6.30.16 Audit N.C. Cemetery Commission**  
Period Ending: **6/30/2016**  
Trial Balance: **2a - Annual Trial Balance - 2 Year**  
Workpaper: **2c.1 - Adjusting Journal Entries Report - 2**

| Account  | Description                  | W/P Ref    | Debit           | Credit          |
|--|------------------------------|------------|-----------------|-----------------|
| 4020   | Individual Lic. Fees         |            | 5,950.00        |                 |
| 2120   | Deferred Individual Lic Fees |            |                 | 5,950.00        |
| <b>Total</b>   |                              |            | <b>5,950.00</b> | <b>5,950.00</b> |
| <b>Adjusting Journal Entries JE # 10</b>   |                              |            |                 |                 |
| To create an allowance for A/R.  |                              | <b>B-2</b> |                 |                 |
| 4050   | Assessments                  |            | 1,600.00        |                 |
| 1105   | Allowance for Bad Debts      |            |                 | 1,600.00        |
| <b>Total</b>   |                              |            | <b>1,600.00</b> | <b>1,600.00</b> |
| <b>Adjusting Journal Entries JE # 11</b>   |                              |            |                 |                 |
| To remove the Gethsemane A/R from the receivable schedule since it paid in March 2016. |                              | <b>B-2</b> |                 |                 |
| 4050   | Assessments                  |            | 2,558.00        |                 |
| 1100   | Accounts Receivable          |            |                 | 2,558.00        |
| <b>Total</b>   |                              |            | <b>2,558.00</b> | <b>2,558.00</b> |

# ALG-CX-12.2: Audit Difference Evaluation Form

Governmental Unit: North Carolina Cemetery Commission

Financial Statement Date: 6/30/16

Completed by: Dawn Dees

Date: 9/2/16

Opinion Unit: A Listing of Known Audit Differences Over: \$100

**Instructions:** This form may be used to accumulate audit differences (AD) greater than the amount considered trivial (documented at Step 5 of ALG-CX-2.1). This form should not include normal closing entries. At the end of the audit, evaluate all uncorrected audit differences, individually and in the aggregate, in the context of individual opinion units and conclude on whether they materially misstate the financial statements of an opinion unit taken as a whole. Thus, a separate "Audit Difference Evaluation Form" should be prepared for each opinion unit. Before evaluating the effect of uncorrected misstatements, reassess whether materiality is still appropriate based on the entity's actual financial results. The notes following the table provide explanations and a listing of qualitative considerations in evaluating materiality. The form allows for quantifying the effect of misstatements, using both the rollover and iron curtain methods, as appropriate. You need to be familiar with the guidance in section 1010 before completing this form.

| Financial Statement Effect—Amount of Over- (Under-) statement of:  |   |                                   |                 | Change in Fund Balance/Net Position |                   |              |                           |          |         |
|--|---|-----------------------------------|-----------------|-------------------------------------|-------------------|--------------|---------------------------|----------|---------|
| Description (Nature) of Audit Difference (AD)                      | Factual (F), Judgmental (J), or Projected (P) | Cause                             | Work-paper Ref. | Total Assets                        | Total Liabilities | Working Cap. | Fund Balance/Net Position | Revenues | Expens. |
| Cemetery License revenue is understated to correct deferred income | F   | prior year deferred revenue issue | 10-2            |                                     |                   |              | 5,475                     | -5,475   |         |
| To pass on an allowance  |   | Uncertain of collectability       |                 |                                     |                   |              |                           |          |         |
| Total  | J   |                                   | B-2             | 1,627                               |                   |              |                           |          | 1,627   |
| Less audit adjustments subsequently booked                         |   |                                   |                 | 1,627                               | 0                 | 0            | 5,475                     | -5,475   | 1,627   |
| Net unadjusted AD—current year (iron curtain method)               |   |                                   |                 |                                     |                   |              |                           |          | 0       |
| Effect of unadjusted AD—prior years                                |   |                                   |                 | 1,627                               | 0                 | 0            | 5,475                     | -5,475   | 1,627   |
| Combined current year and prior year AD (rollover method)          |   |                                   |                 |                                     |                   |              |                           |          | 0       |
| Financial statement caption totals                                 |   |                                   |                 | 1,627                               | 0                 | 0            | 5,475                     | -5,475   | 1,627   |
| Current year AD as % of F/S captions (iron curtain method)         |   |                                   |                 | 432,935                             | 89,377            | 0            | 343,558                   | 291,876  | 212,565 |
| Current and prior year AD as % of F/S captions (rollover method)   |   |                                   |                 | 0.38%                               | 0.00%             | 0.00%        | 1.59%                     | -1.88%   | 0.77%   |
|  |   |                                   |                 | 0.38%                               | 0.00%             | 0.00%        | 1.59%                     | -1.88%   | 0.77%   |

**Qualitative Factors:** Describe qualitative factors that entered into your evaluation of whether uncorrected accumulated misstatements are material, individually or in the aggregate, in relation to specific accounts and disclosures and to the financial statements as a whole, and the reasons why.

**NCCC is very willing to make adjustments and changes as needed to make corrections.**

**Conclusion:** Based on the results of the evaluation performed above, as well as the consideration of qualitative factors, uncorrected audit differences, individually and in the aggregate, ☐do not cause the financial statements of opinion unit taken as a whole to be materially misstated.

Client: **23361 - North Carolina Cemetery Commission**  
Engagement: **23361 - 6.30.16 Audit N.C. Cemetery Commission**  
Period Ending: **6/30/2016**  
Trial Balance: **2a - Annual Trial Balance - 2 Year**  
Workpaper: **G-22.2 - PJE Report**

| Account   | Description             | W/P Ref     | Debit           | Credit          |
|---|-------------------------|-------------|-----------------|-----------------|
| <b>Proposed JE # 101</b>  |                         |             |                 |                 |
|   |                         | <b>10-2</b> |                 |                 |
| To account for a deferred income correction from a prior year made through income in the current year.        |                         |             |                 |                 |
| 3010  | Retained Earnings       |             | 5,475.00        |                 |
| 4020  | Individual Lic. Fees    |             |                 | 5,475.00        |
| <b>Total</b>  |                         |             | <b>5,475.00</b> | <b>5,475.00</b> |
| <b>Proposed JE # 102</b>  |                         |             |                 |                 |
|   |                         | <b>B-2</b>  |                 |                 |
| To make an allowance for bad debts for the remainder of the manually kept A/R for which there was no support. |                         |             |                 |                 |
| 5400  | Bad Debt Expense        |             | 1,627.00        |                 |
| 1105  | Allowance for Bad Debts |             |                 | 1,627.00        |
| <b>Total</b>  |                         |             | <b>1,627.00</b> | <b>1,627.00</b> |



October 6, 2016

To the Board of Commissioners  
of the North Carolina Cemetery Commission

In planning and performing our audit of the financial statements of the North Carolina Cemetery Commission (the "Commission") as of and for the year ended June 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the Commission's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in internal control to be significant deficiencies:

#### Segregation of Duties

During our audit we noted a lack of segregation of duties among accounting and internal control functions due to the limited number of personnel involved in initiating, authorizing, recording, processing, and reporting of financial data. Although this is an inherent limitation and a common deficiency with many small organizations, it is incumbent on management and the board of directors to exercise watchfulness over its affairs. We noted the following deficiencies related to segregation of duties:

CERTIFIED PUBLIC ACCOUNTANTS

4909 Windy Hill Drive . Raleigh, North Carolina 27609  
Tel 919-872-1260 Fax 919-872-6182 www.stancilcpa.com



October 6, 2016

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of the North Carolina Cemetery Commission

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To the Board of Directors  
North Carolina Cemetery Commission  
October 6, 2016  
Page Two

*Reconciliation of Licensee Revenue*

During our audit, we became aware that the Administrative Coordinator makes bank deposits and records them in Excel as a mechanism for keeping a database log of all license renewals. There is no routine reconciliation between the database kept in Excel and the QuickBooks reports. This could result in material discrepancies. We recommend that someone other than the Administrative Coordinator periodically reconcile between QuickBooks and the manually kept database, ensuring that all cemeteries who should have paid are current.

*Direct Debits to Vendors*

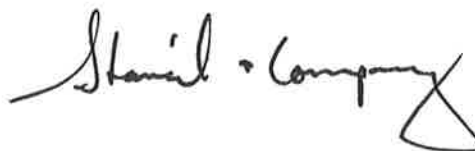
During our audit, we became aware that the Contract Accountant has the ability to set up and pay new vendors through a direct debit on the bank statement. Since she has access to the initial vendor set up, the payment authorization, and accounting software, this is an inherent segregation of duties risk. We recommend management weigh the benefits and risks of this process, and if the process does not change, management may choose to have a more thorough review of these transactions once they clear the bank statement.

Adjusting Journal Entries

We proposed material audit adjustments that in our opinion would not have been discovered except through our auditing procedures. Management is responsible for establishing controls to ensure that they are able to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles.

This communication is intended solely for the information and use of management and the Board of Commissioners, and others within the North Carolina Cemetery Commission, and is not intended to be, and should not be, used by anyone other than these specified parties.

Stancil & Company  
Raleigh, North Carolina

A handwritten signature in black ink, appearing to read "Stancil & Company", with a stylized flourish at the end.