

NORTH CAROLINA CEMETERY COMMISSION

RALEIGH, NORTH CAROLINA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017



C O N T E N T S

JUNE 30, 2017

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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, 2017, 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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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, 2017, 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 23, 2017



NORTH CAROLINA CEMETERY COMMISSION

STATEMENT OF NET POSITION

JUNE 30, 2017

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 420,075
Accounts Receivable, Net of Allowance	43,125
Total Current Assets	463,200

Noncurrent Assets:

Capital Assets, Net of Depreciation	368
	368

Total Assets

\$ 463,568

LIABILITIES AND NET POSITION

Current Liabilities:

Accounts Payable	\$ 7,715
Accrued Payroll Expenses	2,927
Accrued Vacation	375
Deferred Revenue - Current Portion	52,688
Total Current Liabilities	63,705

Noncurrent Liabilities:

Deferred Rent Liability	6,256
Deferred Revenues	4,588
Total Noncurrent Liabilities	10,844

Net Position:

Invested in Capital Assets	368
Unrestricted Net Position	388,652
Total Net Position	389,020

Total Liabilities and Net Position

\$ 463,568

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, 2017

Operating Revenues:

Assessments	\$ 130,037
Business License Renewals	87,500
Court Settlement Fees	39,500
Individual License Renewals	23,825
Late Fee Income	20,140
Other	1,351
Application Fees	6,750
Total Operating Revenues	309,103

Operating Expenses

Cemetery Inspections	91,756
Salaries, Payroll Taxes and Related Benefits	74,183
Contract Services - Director	33,742
Audit and Accounting Services	26,011
Facilities: Rent and Utilities	16,902
Legal Services	5,448
Travel	4,705
Postage and Printing	4,073
Information Technology	2,433
Meeting, Conferences, and Conventions	1,948
Office Supplies	1,512
Depreciation	1,222
Miscellaneous	348
Total Operating Expenses	264,283

Operating Income

44,820

Non-Operating Revenues

Interest Income	642
Total Non-Operating Revenues	642

Change in Net Position

45,462

Net Position - Beginning of Year

343,558

Net Position - End of Year

\$ 389,020

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, 2017

Cash Flows from Operating Activities:	
Cash Received from Fees	\$ 284,578
Cash Payments to Employees for Services	(61,405)
Cash Payments to Other Suppliers of Goods or Services	(195,718)
Net Cash Flows Provided by Operating Activities	<u>27,455</u>
 Cash Flows from Investing Activities:	
Cash Received from Interest	<u>642</u>
Net Cash Flows Provided by Investing Activities	<u>642</u>
 Net Change in Cash	 28,097
Cash - Beginning	<u>391,978</u>
Cash - Ending	<u>\$ 420,075</u>
 Reconciliation of Operating Income	
to Net Cash Provided by Operating Activities:	
Operating Income	\$ 44,820
Adjustments to Reconcile Operating Income to Net	
Cash Provided by Operating Activities:	
Depreciation	1,222
Changes in Assets and Liabilities:	
(Increase) Decrease in Receivables	(4,686)
(Increase) Decrease in Prepaid Expenses	929
Increase (Decrease) in Accounts Payable	2,244
Increase (Decrease) in Accrued Expenses	549
Increase (Decrease) in Deferred Rent	2,216
Increase (Decrease) in Deferred Revenue	(19,839)
Net Cash Flows Provided by Operating Activities	<u>\$ 27,455</u>

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

NORTH CAROLINA CEMETERY COMMISSION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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, 2017

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 \$594 for the year ended June 30, 2017, based on management's review of the collectability of specific accounts.

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, 2017. 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 receivable, accounts payable and accrued expenses to approximate their respective carrying values reported on these statements because of their short maturities.

See Independent Auditor's Report

NORTH CAROLINA CEMETERY COMMISSION**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2017****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)****Capital Assets**

Capital assets that have a cost over \$1,000 are capitalized and are depreciated using the straight-line method over their useful lives. The Commission uses five years as an estimated life for all of its equipment.

Depreciation expense totaled \$1,222 for the fiscal year ended June 30, 2017.

Deferred Revenue

The renewal cycle begins in July for all types of licenses. Business license renewals are for one year. If they are received prior to June 30, the revenue is deferred until the following year to which it relates. Individual license renewals are for two years. 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, 2017, deposits in private financial institutions, with a carrying value of \$420,075 and a bank balance of \$420,482, 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.

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 with any one financial institution as of June 30, 2017.

See Independent Auditor's Report

NORTH CAROLINA CEMETERY COMMISSION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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 June 30, 2016	Acquisitions	Retirements/ Disposals	Cost June 30, 2017	Accumulated Depreciation	Net Amount
Furniture and Equipment	\$ 2,112	\$ -	\$ -	\$ 2,112	\$ (1,878)	\$ 234
Website Development	4,000	-	-	4,000	(3,866)	134
	<u>\$ 6,112</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,112</u>	<u>\$ (5,744)</u>	<u>\$ 368</u>

See Independent Auditor's Report

NORTH CAROLINA CEMETERY COMMISSION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

4. CHANGE IN LONG-TERM LIABILITIES

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

	Balance June 30, 2016	Increases	Decreases	Balance June 30, 2017	Current Portion of Balance	Long-Term Portion of Balance
Accrued						
Vacation	\$ 750	\$ -	\$ (375)	\$ 375	\$ 375	\$ -
Deferred						
Rent	4,040	2,216	-	6,256	-	6,256
Deferred						
Revenues	77,114	55,075	74,914	57,275	52,688	4,588
	<u>\$ 81,904</u>	<u>\$ 57,291</u>	<u>\$ 74,539</u>	<u>\$ 63,906</u>	<u>\$ 53,063</u>	<u>\$ 10,844</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, 2017 are summarized as follows:

	Balance June 30, 2016	Transfers and Receipts	Transfers and Expenditures	Balance June 30, 2017
Consumer Protection Fund	<u>\$ 175,124</u>	<u>\$ 74,449</u>	<u>\$ -</u>	<u>\$ 249,573</u>

See Independent Auditor's Report

NORTH CAROLINA CEMETERY COMMISSION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

6. LEASE COMMITMENTS:

Operating Leases

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, 2017 totaled \$13,922.

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

	Actual Required Lease Payments	Rent Expense Annualized on Straight-Line Method	Deferred Lease Liability Adjustment	Deferred Lease Liability
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>\$ 65,529</u>	<u>\$ 61,489</u>	<u>\$ (4,040)</u>	

7. 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.

NORTH CAROLINA CEMETERY COMMISSION**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2017****8. EVENTS OCCURRING AFTER REPORTING DATE:**

The Commission has evaluated events and transactions that occurred between June 30, 2017 and October 23, 2017, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

9. 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, 2017 is approximately 90. The total cost of conducting the audit and preparing the audit report for the year ended June 30, 2017 is \$7,000.