

NORTH CAROLINA CEMETERY COMMISSION

RALEIGH, NORTH CAROLINA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018



C O N T E N T S

JUNE 30, 2018

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NORTH CAROLINA CEMETERY COMMISSION

MANAGEMENT'S DISCUSSION & ANALYSIS

JUNE 30, 2018

INTRODUCTION

The following is a discussion and analysis of the North Carolina Cemetery Commission (the "Commission") financial performance for the year ended June 30, 2018. The following financial statements and footnotes comprise our complete set of financial information. The Management's Discussion and Analysis identifies significant transactions that have financial impact and highlights favorable and unfavorable trends. Comparative data for the current year and the previous year are presented in the analysis.

FINANCIAL HIGHLIGHTS

During 2018, the operating revenues of the Commission decreased by \$35,917 or 12% due primarily to a one-time court settlement of \$39,500 received in the prior year.

During 2018, the operating expenses of the Commission increased by \$38,219 or 14%, due primarily to the hiring of a full-time administrative assistant and an increase in the cost of cemetery inspections.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The financial report consists of two sections: Management's Discussion and Analysis and the basic financial statements. The financial statements also include notes to the basic financial statements that provide detail of the information included in the basic financial statements.

BASIC FINANCIAL STATEMENTS

The basic financial statements of the Commission report information about the Commission using accounting methods similar to those used by non-profit entities. These statements offer short and long-term financial information about the activities of the Commission.

The Statement of Net Position (page 5) present the assets, liabilities, and net position of the Commission.

The Statement of Revenues, Expenses and Changes in Net Position (page 6) present information on how the Commission's net position changed as a result of the year's operations.

NORTH CAROLINA CEMETERY COMMISSION

MANAGEMENT'S DISCUSSION & ANALYSIS

JUNE 30, 2018

BASIC FINANCIAL STATEMENTS (Continued)

The Statement of Cash Flows (Page 7) present information on how the Commission's cash changed as a result of the year's activity.

The following schedule presents condensed financial information on the operations of the Commission as of June 30, and its operating and non-operating revenues and expenses for the years then ended:

	2018	2017	2016
Current Assets	\$ 469,649	\$ 463,200	\$ 431,345
Capital Assets	-	368	1,590
Total Assets	469,649	463,568	432,935
Current Liabilities	101,509	63,705	83,137
Deferred Inflows of Resources	7,541	10,843	6,240
Total Liabilities	109,050	74,548	89,377
Net Investment in Capital Assets	-	368	1,590
Unrestricted	360,599	388,652	341,968
Total Net Position	\$ 360,599	\$ 389,020	\$ 343,558
Operating Revenues	\$ 273,186	\$ 309,103	\$ 291,605
Operating Expenses	(302,502)	(264,283)	(212,565)
Operating Income	(29,316)	44,820	79,040
Non-Operating Revenue	895	642	271
Changes in Net Position	\$ (28,421)	\$ 45,462	\$ 79,311

EVENTS AFFECTING FUTURE OPERATIONS

A change over in office personnel occurred in 2018 which may decrease operating expenses until suitable replacements are found.

CONTACTING THE COMMISSION'S MANAGEMENT

This financial report is designed to provide a general overview of the Commission's finances and to demonstrate the Commission's accountability for the money it receives. If you have any questions about this report or need additional information, contact: North Carolina Cemetery Commission, 1001 Navaho Drive, Suite 207, Raleigh, North Carolina 27609.



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, 2018, 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.

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 as of June 30, 2018, 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.

Emphasis of Matter

As discussed in Note 1, these financial statements are presented only for the North Carolina Cemetery Commission and do not purport to and do not present fairly the financial position of the State of North Carolina as of June 30, 2018, nor the changes in its financial position and its cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, on pages 1 -2, 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.



Raleigh, North Carolina
October 16, 2018

NORTH CAROLINA CEMETERY COMMISSION

STATEMENT OF NET POSITION

JUNE 30, 2018

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 437,775
Accounts Receivable, Net of Allowance	31,874
Total Current Assets	469,649

Noncurrent Assets:

Capital Assets, Net of Depreciation	-
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Total Assets	\$ 469,649
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LIABILITIES AND NET POSITION

Current Liabilities:

Accounts Payable	\$ 11,152
Accrued Payroll Expenses	4,137
Deferred Revenue - Current Portion	84,400
Deferred Rent - Current Portion	1,820
Total Current Liabilities	101,509

Noncurrent Liabilities:

Deferred Rent Liability	3,041
Deferred Revenues	4,500
Total Noncurrent Liabilities	7,541

Net Position:

Unrestricted Net Position	360,599
Total Net Position	360,599

Total Liabilities and Net Position	\$ 469,649
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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, 2018

Operating Revenues:

Assessments	\$ 115,577
Business License Renewals	87,000
Change of Control Fees	31,269
Individual License Renewals	18,425
Late Fee Income	13,390
Other	1,275
Application Fees	6,250
Total Operating Revenues	273,186

Operating Expenses

Salaries, Payroll Taxes and Related Benefits	106,358
Cemetery Inspections	99,811
Contract Services - Director	35,700
Facilities: Rent and Utilities	17,188
Audit and Accounting Services	14,317
Miscellaneous	7,815
Travel	7,250
Postage and Printing	4,029
Office Supplies	3,622
Legal Services	2,525
Meeting, Conferences, and Conventions	2,138
Information Technology	1,381
Depreciation	368
Total Operating Expenses	302,502

Operating Income (Loss)

(29,316)

Non-Operating Revenues

Interest Income	895
Total Non-Operating Revenues	895

Change in Net Position

(28,421)

Net Position - Beginning of Year

389,020

Net Position - End of Year

\$ 360,599

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, 2018

Cash Flows from Operating Activities:

Cash Received from Fees	\$ 316,062
Cash Payments to Employees for Services	(86,561)
Cash Payments to Other Suppliers of Goods or Services	(212,696)
Net Cash Flows Provided by Operating Activities	16,805

Cash Flows from Investing Activities:

Cash Received from Interest	895
Net Cash Flows Provided by Investing Activities	895

Net Change in Cash 17,700

Cash - Beginning 420,075

Cash - Ending **\$ 437,775**

Reconciliation of Operating Income (Loss)

to Net Cash Provided by Operating Activities:

Operating Income (Loss)	\$ (29,316)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	368
Changes in Assets and Liabilities:	
Decrease in Receivables	11,251
Increase in Accounts Payable	3,437
Increase in Accrued Expenses	835
Decrease in Deferred Rent	(1,395)
Increase in Deferred Revenue	31,625
Net Cash Flows Provided by Operating Activities	\$ 16,805

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

NORTH CAROLINA CEMETERY COMMISSION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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.

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.

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.

See Independent Auditor's Report

NORTH CAROLINA CEMETERY COMMISSION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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 \$0 for the year ended June 30, 2018, 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, 2018. 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 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, 2018****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 \$368 for the fiscal year ended June 30, 2018. Capital assets with a cost basis of \$6,112 were fully depreciated as of June 30, 2018.

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, 2018, deposits in private financial institutions, with a carrying value of \$437,775 and a bank balance of \$415,994, 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 exceeded these limits by \$324 as of June 30, 2018.

See Independent Auditor's Report

NORTH CAROLINA CEMETERY COMMISSION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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:

	Cost June 30, 2017	Acquisitions	Retirements/ Disposals	Cost June 30, 2018	Accumulated Depreciation	Net Amount
Furniture and Equipment	\$ 2,112	\$ -	\$ -	\$ 2,112	\$ (2,112)	\$ -
Website Development	4,000	-	-	4,000	(4,000)	-
	<u>\$ 6,112</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,112</u>	<u>\$ (6,112)</u>	<u>\$ -</u>

See Independent Auditor's Report

NORTH CAROLINA CEMETERY COMMISSION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

4. CHANGE IN LONG-TERM LIABILITIES:

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

	Balance June 30, 2017	Increases	Decreases	Balance June 30, 2018	Current Portion of Balance	Long-Term Portion of Balance
Accrued						
Vacation	\$ 375	\$ -	\$ (375)	\$ -	\$ -	\$ -
Deferred						
Rent	6,256	-	(1,395)	4,861	1,820	3,041
Deferred						
Revenues	57,275	84,313	52,688	88,900	84,400	4,500
	<u>\$ 63,906</u>	<u>\$ 84,313</u>	<u>\$ 50,918</u>	<u>\$ 93,761</u>	<u>\$ 86,220</u>	<u>\$ 7,541</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, 2018 are summarized as follows:

	Balance June 30, 2017	Transfers and Receipts	Transfers and Expenditures	Balance June 30, 2018
Consumer Protection Fund	<u>\$ 249,573</u>	<u>\$ 751</u>	<u>\$ -</u>	<u>\$ 250,324</u>

See Independent Auditor's Report

NORTH CAROLINA CEMETERY COMMISSION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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, 2018 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
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)	-
	\$	53,823	\$ 47,567	\$ (6,256)	

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.

8. EVENTS OCCURRING AFTER REPORTING DATE:

The Commission has evaluated events and transactions that occurred between June 30, 2018 and October 16, 2018, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

See Independent Auditor's Report

NORTH CAROLINA CEMETERY COMMISSION**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2018****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, 2018 is approximately 90. The total cost of conducting the audit and preparing the audit report for the year ended June 30, 2018 is \$7,000.

See Independent Auditor's Report



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