

NEVADA CEMETERY DISTRICT
Nevada City, California

AUDIT REPORT

FOR THE FISCAL YEAR ENDED

JUNE 30, 2022



devant
Certified Public Accountants

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NEVADA CEMETERY DISTRICT
Nevada City, California

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INDEPENDENT AUDITORS' REPORT IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To The Board of Trustees
Nevada Cemetery District
Nevada City, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Nevada Cemetery District as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which comprise the District's basic financial statements as listed in the table of contents.

Opinion

In our opinion, based on our audit the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Nevada Cemetery District, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Nevada Cemetery District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Nevada Cemetery District ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Nevada Cemetery District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Nevada Cemetery District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit

The financial statements of Nevada Cemetery District for the year ended June 30, 2021, were audited by us, and we expressed an unmodified opinion on those financial statements on May 26, 2022.

Emphasis of Matter

As reported in Note 6, the net pension liability is been measured as of June 30, 2021, and the pension expense is for the measurement period July 1, 2020 to June 30, 2021. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 through 13 and 37 through 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States

of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 18, 2023, on our consideration of the Nevada Cemetery District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Nevada Cemetery District's internal control over financial reporting and compliance.

Devant CPAs

Devant CPAs
Certified Public Accountant
August 18, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

NEVADA CEMETERY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

The District discussion and analysis of the Nevada Cemetery District, hereinafter referred to as NCD or District, provides an overview of the district's financial activity for the fiscal year ended June 30, 2022. It should be read in conjunction with the financial analysis which begin on page 8 and financial statement that start on page 14.

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 15 and 16) provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Fund financial statements start on page 17. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds.

Reporting on the District as a Whole:

The Nevada Cemetery District was formed in 1942 as a special District by the voters in a general election. At that time the boundaries of the District were set as part of the formation of the District. In 1986 and again in 2007 the physical land size of the District was increased to the present time where the District encompasses all of western Nevada County situated below the 5,000-foot elevation. There are 27 cemeteries managed by the District. Two of the cemeteries are recent additions: Deer Creek in 2010 and Elster Memorial in 2012. Both are lawn cemeteries and increase the District available plots by approximately 3,000. In October of 2018, NCD opened a 48-unit columbarium at Penn Valley Cemetery.

Twenty seven cemeteries are classified as historical and date from 1860 through the construction of the new cemeteries. Eleven cemeteries are full and are no longer accepting new interments. Sixteen cemeteries are still in active use and have plot space as indicated on pages 11-12.

It should be noted here that plot spaces are normally calculated as 4' by 10' ground spaces and are intended for full size caskets. These plots when sold can also accommodate an additional two sets of cremains, if desired by the owner(s). When cremains are added there are additional charges for the cremains vault and opening and closing of the plot. Optionally, the family of the deceased may desire to have the District provide additional services such as chairs, canopy, etc.

Nevada Cemetery District has begun "green burials" at the Cherokee Cemetery and are researching additional sites. Green burials eliminate the need for caskets and vault liners to encourage quicker return to a natural state. These methods are more desirable to some segments of the community although there is no significant savings in burial costs because of the initial increase in working with the remains. These sites are selling very well in the environmental conscious population. The plots are somewhat larger due to the needs of mechanical equipment without the use of vaults and are priced accordingly.

The California Health and Safety Code requires that public cemeteries recover their cost of providing burial services after the year 2000 and additionally that they provide multiple cost alternatives to their customers. The Nevada Cemetery District consequently provides for natural cemeteries, lawn cemeteries, cremation plots, scattering gardens, common ossuary, full body plots and columbaria niche arrangements. Since the year 1997 California cemeteries have also been required to collect an "endowment" fee for the continued maintenance of cemeteries after they have been effectively closed.

The endowment fee is set by the District according to the amount of ground space maintenance needed. The minimum fee is set by the California Health and Safety Code Section 8738.

NEVADA CEMETERY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Unfortunately, prior to Year 1997 there were no endowment fees collected by most public cemeteries and thus the maintenance of historic cemeteries falls partly on the annual general revenues of the District.

Two other statutes directly affect financial operations of a Public Cemetery District. First, funds in the endowment fund must be accounted for separately and only 10% of the interest on the principal funds can be spent in any fiscal year. Second, the District having been formed in 1942 and being below the per mill rate set by the Gann Initiative for annual budget limitations, the District is not required to calculate an annual Gann Rate. Third, NCD cannot make a profit from the District operations although NCD can recover all of the District short and long terms costs through the District rate structure. In 2011 the District conducted a nexus study to determine what the District costs were for the District natural, Deer Creek and Elster Memorial cemeteries. A similar study will be done to set rates for the District "green cemetery" as appropriate. The District rates are then evaluated and adjusted July 1st of every odd numbered year.

Staffing of the District includes an Operations Manager, 3 Cemetery Maintenance Workers, and contracted Bookkeeping and Secretarial services. Management is provided by a five-member Board of Trustees appointed to staggered four-year terms by the County Board of Supervisors.

The District has a comprehensive Personnel Code, Classification and Salary Schedule and Policy and Procedures Manual for its cemeteries. The District employees are not unionized. Their pension is supplied by the California Public Employees Retirement System and the District does not provide post-retirement benefits such as health care coverage. The District unfunded liability for pension costs of **\$173,097** are estimated as of June 30, 2022. The District has always made the annual required pension contribution to CalPERS. The District expects to have paid off the unfunded pension liability in 7-8 years.

The District analysis of the District as a whole begins above. One of the most important questions asked about the District's finances is: "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the District as a whole and about its activities in a way that help answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net assets and changes in them. You can think of the District's net assets - the difference between assets and liabilities - as one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the District's property tax base and the condition of the District's cemeteries, to assess the overall health of the District.

In the Statement of Net Assets and the Statement of Activities, Nevada Cemetery District divides the District into three kinds of activities:

Governmental activities - Most of the District's basic services are reported in this section. Property taxes finance most of the District activities.

Business type activities - The District charges a fee to customers to help it cover all or most of the cost of certain services it provides.

NEVADA CEMETERY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Component units - Although legally separate, component units (such as a redevelopment agency) are important because the District is financially accountable for them. The District had no component units in the current year.

Reporting the District's Most Significant Funds:

The District analysis of the District's major funds begins on page 8. The fund financial statements begin on page 17 and provide detailed information about the most significant funds - not the District as a whole. The District board establishes funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes and other money.

* Governmental funds - Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. NCD describes the relationship between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation at the bottom of the fund financial statements.

The District's Statement of Net Position on Government-Wide Activities is found beginning on page 15 of this report.

Financial Analysis:

The net assets for the District as a whole decreased to **\$5,739,589** from **\$5,749,236** at June 30, 2022.

From the initial cash on hand at the beginning of each fiscal year, the District budgets unrestricted funds to the following reserves as of June 30, 2022:

Reserve for automotive replacement	\$46,000
Reserve for annual leave buyout	\$55,000
Enterprise Fund for monument restoration	\$13,651

The District will budget an unrestricted reserve of \$15,000 for re-purchase of unused or returned burial plots, when the owner is buried elsewhere, in fiscal year 2021-2022.

NEVADA CEMETERY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Business Type Activity (Sale of Niches and Vaults):

The District started a business type activity of buying and selling cemetery vaults. During the fiscal year, no vaults were purchased, total sales of vaults were \$8,635, total sales tax collected was \$648 and inventory valued as of June 30, 2022 was \$8,000.

Budgetary Highlights:

The District's 2022 actual revenue over budgeted revenue increased by **\$121,347**; expenses and capital spending decreased by **\$637,057** over budgeted expenditures due to reduced capital outlay projects.

Approximately 2/3 of District revenue comes from the general property tax on real property and equipment. The income amounts for the past three fiscal years were as follows:

Fiscal Year 2022	\$614,322
Fiscal Year 2021	\$559,878
Fiscal Year 2020	\$523,427

The Remaining 1/3 of revenue comes from business activities:

Fiscal Year 2022	\$116,972
Fiscal Year 2021	\$162,998
Fiscal Year 2020	\$121,775

There was no rate increase in fiscal year June 30, 2022.

Operating Expenses:

As would be expected from a service organization, salaries and wages, health insurance and retirement costs are a major component of expenses. Salaries, health insurance and retirement costs increased from the previous year resulting in the overall increase in operating expenses for the current year.

NEVADA CEMETERY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Such costs were:

Fiscal Year 2021	\$412,848	70.83% (% of operating expenses)
Fiscal Year 2021	\$378,903	70.62% (% of operating expenses)
Fiscal Year 2020	\$358,512	72.22% (% of operating expenses)

Management Philosophy: Nevada Cemetery District participates in surveys of cemetery district salaries, benefits, and conducts some of the District's own to get a good cross section of the market. It is the District management strategy to be in the middle of the pack, not too generous and not too stingy. Nevada Cemetery District desired to keep and promote the District employees which keep the District recruitment safety and training costs lower while maintain a good place to work and the District core competency strong. As shown below, the District's non-payroll expenses remain relatively, leveled.

Non-Payroll expenses were:

Fiscal Year 2022	\$169,989
Fiscal Year 2021	\$157,563
Fiscal Year 2020	\$137,901

Detail on Operating Expenses and a comparison between 2022 and 2021 can be found on page 15.

Capital Assets:

The District's capital assets as of June 30, 2022, amounted to **\$5,739,589** net of accumulated depreciation. Capital assets consist of maintenance equipment and a building. Cemetery land and improvements are classified as capital assets and capital improvements. Capital asset expenditures, Land improvements and Inventory remained the same. The Cemetery District valued its land in the previous year at a fair market value of **\$6,048,243**. No valuation was made for the current year.

Economic Factors and Future Outlook:

The Nevada Cemetery District provides cemetery services in 27 cemeteries in Nevada County. The population of the District is expected to grow as the general county population grows. The operating expenses have increased over the last three years. General economic activity is showing some signs of slowing down with the increase in annual property tax collections having increased slightly. As a consequence, NCD has been as a District placing funds into board discretionary funds for purchase of unused annual leave at retirement, re-purchase of plots when necessary, automotive

NEVADA CEMETERY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

reserves and an enterprise fund for monument restoration. The next section, Pages 11 and 12, reports the District real property locations represented by cemeteries and their inventory and the District Headquarters.

NCD has two cemeteries that are not at full buildout or are scheduled for expansion.

Elster Memorial is a five-acre cemetery of which only half has been fully constructed.

Penn Valley is scheduled for expansion by half an acre. NCD owns both properties but is working on final development as needs dictate. NCD has constructed a columbarium at Penn Valley Cemetery which opened in October 2018. NCD also owns an additional half acre at the Penn Valley Cemetery for future development.

Every five years, the Nevada Local Agency Formation Commission (Nevada LAFCO) evaluates the adequacy of the District Municipal Services in view of current population and projected population trends. Working in the District's favor is that Nevada County is one of the oldest counties per capita in California in terms of age. The 2022 total population of Nevada County is just short of 100,000.

As mentioned previously, the Nevada Cemetery District owns and operates 27 cemeteries in western Nevada County. The Truckee Cemetery District covers eastern Nevada County above 5,000 feet in elevation.

While closed to new interments, closed cemeteries may continue to have burials where the deceased is related to someone already interred in that cemetery and plot. The District's closed cemeteries are all natural, full body cemeteries and do not have columbaria or scattering gardens. NCD does allow an additional two cremains. The District closed cemeteries are as follow:

<u>Closed Cemetery</u>	<u>Total No. of Plots</u>
Nevada County Number 1	658
Nevada County Number 2	125
Old Odd Fellows	150
Moore's Flat	50
Meadow Lake	100
Brooklyn Lodge	30
Relief Hill	134
Omega	8
New Odd Fellows	149
<u>Total</u>	<u>1,404</u>

NEVADA CEMETERY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

The District's open cemeteries, with the exception of two, are also natural cemeteries and as such do not have scattering gardens or columbaria. The cemeteries accept full body, cremains or a combination up to three interments.

<u>Open Cemetery</u>	<u>Total No. of Plots</u>	<u>Still Available</u>
Clear Creek	448	109
French Corral	398	230
Graniteville	350	40
Indian Springs	664	244
North Bloomfield	386	94
North San Juan Catholic	292	33
North San Juan Protestant	520	6
Penn Valley	702	53
Penn Valley Columbarium (2017)	48	42
Pleasant Valley	249	179
Red Dog	596	991
Rough and Ready	1,120	747
Sweetland	276	246
Washington	150	16
Cherokee	208	42
Cherokee Green Burial	55	4
Loney-Sanford	569	196
<u>Total</u>	<u>7,031</u>	<u>4,290</u>

NCD has two cemeteries that are "lawn" cemeteries. These facilities have the whole array of services: full body, cremains, scattering garden, ossuary, columbaria niche and dedicated sections e.g. veterans or service groups.

**NEVADA CEMETERY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

<u>Cemetery</u>	<u>Total No. of Plots</u>	<u>Still Available</u>
Deer Creek (full body/cremains/ Columbaria)	446	407
Elster Memorial (full body/ cremains/ Columbaria)	2,810*	415
 <u>Total</u>	 <u>3,256</u>	 <u>822</u>

A Public Cemetery District can sell neither headstones nor the grave markers. In addition, the District cannot provide mortuary services. However, in recognition of the overall liability that may attach to the District for safety of its grounds and the public in general, NCD finds itself having to repair unsafe headstones or markers. NCD has established a Monument Restoration Fund and established a fee of \$10 per new burial in the District natural cemeteries and \$35 per burial in the District lawn cemeteries. As an additional funding resource for established monuments where NCD cannot locate a responsible party, NCD is placing insurance proceeds from damage to the District's grounds into the Monument Restoration Fund as well as periodic appropriations by the Board of Trustees. These funds are accounted for in account number 462000.

It is clear from the foregoing that NCD has sufficient property resources to meet the needs of the District citizens for the next half century at the District's current rate of interments of 60-70 per year. How is that possible? It is important to know that there is a private mortuary that owns its own cemeteries as well.

In addition, NCD is always seeking land donations so that NCD does not have to purchase additional land in the near future. The Board of Trustees of the Nevada Cemetery District believes that the District policies and procedures will make us a viable special district well into the future.

**Nevada County Cemetery District
For year ending June 30, 2022**

BASIC FINANCIAL STATEMENTS
GOVERNMENT-WIDE FINANCIAL STATEMENTS

NEVADA CEMETERY DISTRICT

Nevada City, CA

STATEMENT OF NET POSITION

AS OF JUNE 30, 2022 AND 2021

	<u>Government-Wide Net Position</u>	
	<u>2022</u>	<u>2021</u>
ASSETS:		
Cash	\$ 1,180,392	\$ 1,003,786
Inventory	<u>8,000</u>	<u>4,170</u>
Total Current Assets	<u>1,188,392</u>	<u>1,007,956</u>
Capital Assets		
Land and Improvements	6,167,608	6,147,557
Accumulated Depreciation	<u>(428,019)</u>	<u>(398,321)</u>
Total Capital Assets	<u>5,739,589</u>	<u>5,749,236</u>
Total Assets	<u>\$ 6,927,981</u>	<u>\$ 6,757,192</u>
LIABILITIES:		
Accounts Payable	\$ <u>40,092</u>	\$ <u>9,084</u>
Total Current Liabilities	<u>40,092</u>	<u>9,084</u>
Accrued Expenses	10,160	13,151
Deferred Revenue	221,858	220,887
Aggregate Net Pension Liability	<u>173,097</u>	<u>285,411</u>
Total Noncurrent Liabilities	<u>405,115</u>	<u>519,449</u>
Total Liabilities	<u>\$ 445,207</u>	<u>\$ 528,533</u>
DEFERRED INFLOWS OF RESOURCES:		
Pension Deferred Investment Earnings	<u>56,274</u>	<u>42,358</u>
NET POSITION:		
Net Investment in Capital Assets	\$ 5,508,058	\$ 5,412,486
Endowment Care	160,840	144,141
Unrestricted	<u>757,602</u>	<u>629,674</u>
Total Net Position	<u>\$ 6,426,500</u>	<u>\$ 6,186,301</u>
Total Liabilities and Net Position	<u>\$ 6,927,981</u>	<u>\$ 6,757,192</u>

See independent accountant's audit report.

The accompanying notes to financial statements are integral part of these financial statements.

NEVADA CEMETERY DISTRICT
Nevada City, California

STATEMENT OF ACTIVITIES

AS OF JUNE 30, 2022 AND 2021

	Government-Wide Activities	
	2022	2021
Expenses:		
Personnel Services	\$ 263,186	\$ 355,776
Materials and Supplies	150,256	160,497
Pension Expense	44,770	54,593
Depreciation	29,698	27,317
Total Program Expenses	\$ 487,910	\$ 598,183
Program Revenues:		
Charges for Services	\$ 87,948	\$ 135,522
Net Program Expenses	\$ 399,962	\$ 462,661
General Revenues:		
Property Taxes	\$ 614,322	\$ 559,878
Other Income	54	-
Investment Earnings	9,086	10,975
Total General Revenues	\$ 623,462	\$ 570,853
Endowment Care	\$ 16,699	\$ 16,501
Change in Net Position	\$ 240,199	\$ 124,693
Net Position - Beginning of Year	6,186,301	6,061,608
Net Position - End of Year	\$ 6,426,500	\$ 6,186,301

See independent accountant's audit report.
The accompanying notes to financial statements are integral part of these financial statements..

BASIC FINANCIAL STATEMENTS
FUND FINANCIAL STATEMENTS

NEVADA CEMETERY DISTRICT
Nevada City, California

BALANCE SHEET - GOVERNMENTAL FUNDS

AS OF JUNE 30, 2022 AND 2021

	2022			2021		
ASSETS	General Fund	Endowment Fund	Governmental Funds Total	General Fund	Endowment Fund	Governmental Funds Total
CURRENT:						
Cash	\$ 1,019,552	\$ 160,840	\$ 1,180,392	\$ 859,645	\$ 144,141	\$ 1,003,786
Inventory	8,000	-	8,000	4,170	-	4,170
Total Assets	<u>\$ 1,027,552</u>	<u>\$ 160,840</u>	<u>\$ 1,188,392</u>	<u>\$ 863,815</u>	<u>\$ 144,141</u>	<u>\$ 1,007,956</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Accounts Payable	\$ 40,092	\$ -	\$ 40,092	\$ 9,084	\$ -	\$ 9,084
Accrued Liabilities	-	-	-	-	-	-
Deferred Revenue	221,858	-	221,858	220,887	-	220,887
TOTAL LIABILITIES	<u>261,950</u>	<u>-</u>	<u>261,950</u>	<u>229,971</u>	<u>-</u>	<u>229,971</u>
FUND BALANCES:						
Assigned to:						
Other Purposes	-	160,840	160,840	-	144,141	144,141
Nonspendable-Inventories	8,000	-	8,000	4,170	-	4,170
OPEB Liability Funding	-	-	-	-	-	-
Future Years Expenditures	-	-	-	-	-	-
Assigned	757,602	-	757,602	629,674	-	629,674
Unassigned	765,602	160,840	926,442	633,844	144,141	777,985
Total Fund Balance	<u>\$ 1,027,552</u>	<u>\$ 160,840</u>	<u>\$ 1,188,392</u>	<u>\$ 863,815</u>	<u>\$ 144,141</u>	<u>\$ 1,007,956</u>

See independent accountant's audit report. The accompanying notes to financial statements are integral part of these financial statements.

NEVADA CEMETERY DISTRICT
Nevada City, California

RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
AS OF JUNE 30, 2022 AND 2021

	2022			2021		
	General Fund	Endowment Fund	Governmental Funds Total	General Fund	Endowment Fund	Governmental Funds Total
<u>Reconciliation:</u>						
Total Fund Balance - Governmental Funds	\$ 765,602	\$ 160,840	\$ 926,442	\$ 633,844	\$ 144,141	\$ 777,985
Net Position for Government-Wide reported on the Statement of Net Position differ from the total net fund balance on governmental funds above because:						
Capital assets used in government-wide activities are not government fund financial resources and therefore are not reported in the governmental funds (net of accumulated depreciation of \$428,019 and \$398,321, respectively).			5,739,589			5,749,236
Accrued obligations for sick and vacation does not require current fund financial resources and therefore are not reported in the governmental funds.			(10,160)			(13,151)
Net aggregate pension obligation does not require current fund financial resources and therefore are not reported in the governmental funds.			<u>(229,371)</u>			<u>(327,769)</u>
Total Net Position of Governmental Activities	\$	\$	<u>6,426,500</u>	\$	\$	<u>6,186,301</u>

See independent accountant's audit report.
The accompanying notes to financial statements are integral part of these financial statements.

NEVADA CEMETERY DISTRICT
Nevada City, California

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET FUND BALANCES - GOVERNMENTAL FUNDS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	6/30/2022			6/30/2021		
	General Fund	Endowment Fund	Governmental Fund Total	General Fund	Endowment Fund	Governmental Funds Total
REVENUES						
Property Taxes	\$ 614,322	\$ -	\$ 614,322	\$ 559,878	\$ -	\$ 559,878
Charges for Current Services	90,403	-	90,403	118,877	-	118,877
Investment Earnings	9,086	16,699	25,785	10,975	16,501	27,476
Sale of Niches and Vaults	-	-	-	15,695	-	15,695
Other Income	784	-	784	950	-	950
Transfer to Endowment Fund	-	-	-	-	-	-
Total Revenues	\$ 714,595	\$ 16,699	\$ 731,294	\$ 706,375	\$ 16,501	\$ 722,876
EXPENDITURES						
Cemetery Services						
Salaries & Employee Benefits	\$ 412,848	\$ -	\$ 412,848	\$ 378,903	\$ -	\$ 378,903
Services & Supplies	149,938	-	149,938	157,563	-	157,563
Capital Outlay	20,051	-	20,051	-	-	-
Total Expenditures	\$ 582,837	\$ -	\$ 582,837	\$ 536,466	\$ -	\$ 536,466
Excess of Revenues Over Expenditures	\$ 131,758	\$ 16,699	\$ 148,457	\$ 169,909	\$ 16,501	\$ 186,410
Net Fund Balance - Beginning of Year	\$ 633,844	\$ 144,141	\$ 777,985	\$ 449,583	\$ 127,640	\$ 577,223
Prior Period Adjustment (See Note 7)	-	-	-	14,352	-	14,352
Net Fund Balance - Beginning of Year (Restated)	\$ 633,844	\$ 144,141	\$ 777,985	\$ 463,935	\$ 127,640	\$ 591,575
Net Fund Balance - End of Year	\$ 765,602	\$ 160,840	\$ 926,442	\$ 633,844	\$ 144,141	\$ 777,985

See independent accountant's audit report.
The accompanying notes to financial statements are integral part of these financial statements.

NEVADA CEMETERY DISTRICT
Nevada City, California

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN NET FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022			2021		
	General Fund	Endowment Fund	Governmental Funds Total	General Fund	Endowment Fund	Governmental Funds Total
Reconciliation:						
Net Change in Fund Balance - Governmental Funds	\$ 131,758	\$ 16,699	\$ 148,457	\$ 169,909	\$ 16,501	\$ 186,410
Changes in Net Position for government-wide activities on the statements of activities differ from the excess of governmental revenues and expenditures above because:						
Depreciation expense is not considered a use of financial resources			(29,698)			(27,317)
Change in other accrued liability does not use current Governmental Fund financial resources			2,991			(2,247)
Change in future pension liability does not use current Governmental Fund financial resources			98,398			(32,153)
Capital outlay is not considered an expenditure of governmental funds activities			20,051			-
Change in Net Position of Governmental Activities			\$ 240,199			\$ 124,693

See independent accountant's audit report. The accompanying notes to financial statements are integral part of these financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

NEVADA CEMETERY DISTRICT
Nevada City, California

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

The Nevada Cemetery District was formed under Section 13801 of the California Health and Safety Code. The district operates under a Board of Directors and its basic operations are supported by property taxes paid to Nevada County, sales of interment services, and interment rights.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, and agencies that are not legally separate from the District. The District has no component units.

B. Basis of Presentation

The financial statements of Nevada Cemetery District have been prepared in conformity with generally accepted accounting principles (GAAP). The government accounting standards board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements of Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note.

Governmental-wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities, if any. Governmental activities are financed through taxes, intergovernmental revenues and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into three major categories; government, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

1. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

See Independent Accountant's Audit Report

NEVADA CEMETERY DISTRICT
Nevada City, California

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements (Continued)

The two funds of the Nevada Cemetery District are governmental funds as described below:

General Fund - The General Fund is the main operating fund of the District. It is used for all activities except those that are required to be accounted for in another fund. The entire District's activities are reported in the general operating fund except those legally or administratively required to be accounted for in other funds. It is a major fund.

Permanent/Endowment Funds - Permanent Funds report trust arrangements in which the reporting government is the beneficiary of the earnings on the principal. The Endowment fund is a permanent fund and is used for reporting endowment fees collected by the District on grave sales, which are permanently restricted. The interest earned on endowment funds is unrestricted. It is a major fund.

C. Measurement Focus and Basis for Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statement regardless of the measurement focus applied.

Measurement Focus

Government-Wide Financial Statements:

The Government-Wide Statement of Net Position and the Statement of Activities are reported using the economic resources measurement focus. The accounting objectives of the economic resources measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and all liabilities (whether current or noncurrent) associated with the operation of these funds are reported.

The Governmental Funds Statements:

On the Government-Wide Statement of Net Position and the Statement of Activities, governmental activities are presented using the economic resources focus as defined in item 2 below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

1. The "current financial resources" measurement focus is used when accounting for all governmental funds. With this measurement focus, only current assets and current liabilities generally are included on their balance sheets. Their operating statements present resources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

2. The accounting objectives of the "economic resources" measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and all liabilities (whether current or noncurrent) associated with the operation of these funds are reported.

See Independent Accountant's Audit Report

NEVADA CEMETERY DISTRICT
Nevada City, California

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

In the Government-Wide Statement of Net Assets and Statement of Activities, governmental accounting activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under modified accrual basis of accounting, revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The District defines available to be within 60 days of year-end. Expenditures are recorded when the related fund liability is incurred.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

D. Budgetary Data

The District adopts an annual budget on or before August 1. From the effective date of the budget, the amounts stated as proposed expenditures become appropriations. The procedures followed require a proposed budget to be presented to the Board of Trustees at the July meeting after reviewing with Nevada County on their most current estimates of tax revenues. The budget may be amended during the year should an economic need occur.

E. Property Taxes

Property taxes are government mandated non-exchange transactions and are recognized when all eligibility requirements have been met. Secured property taxes attach as an enforceable lien on property as of January 1st. Taxes are levied on July 1st and are payable in two installments on December 10th and April 10th. All general property taxes are allocated by the County Auditor-Controller's office to the various taxing entities in installments during the year. The District recognizes property tax revenues when they actually become available and received from the Nevada County Auditor-Controller's office. The District therefore makes no accrual for property tax receivable as of June 30, 2022.

The District has elected to participate in the Teeter Plan for property tax distributions to local agency jurisdictions. Under the Teeter Plan, the counties allocate property tax revenues based on the total amount of property tax billed, but not yet collected. The County absorbs the timing risk of collecting delinquent taxes and retains all penalties and interest. As a result, Nevada Cemetery District receives 100 percent of the secured property tax levies to which it is entitled, whether or not collected by the County.

See Independent Accountant's Audit Report

NEVADA CEMETERY DISTRICT
Nevada City, California

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Investments

Cash includes demand accounts maintained with a banking institution and amounts maintained with the District's fiscal agent, Nevada County. Nevada County does not allow the District to make independent investments of excess funds.

G. Inventory

Inventory consists of uninstalled vaults, vases and liners. Inventory is stated at cost using the first-in, first-out method of accounting. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

H. 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.

I. Capital Assets

Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Structures and Improvements	25.0 years
Equipment	5.0 years
Vehicles	7.5 years

J. Net Position

The District classifies its net position into three components as follows:

Net investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation; reduced by the outstanding debt balances, net of unamortized debt expenses. Deferred inflows and outflows of resources are attributable to the acquisition, construction or improvements of those assets or related debt are also included.

Restricted - This component of net position consists of assets with constraints placed on their use, either externally or internally. Constraints include those imposed by debt indentures (excluding amounts considered in net capital, above), grants or laws and regulations of other governments, or by law through constitutional provisions or enabling legislation or by the Board.

These restricted assets are reduced by liabilities and deferred inflows of resources related to those assets. All principal endowment care funds are reserved for future cemetery maintenance.

See Independent Accountant's Audit Report

NEVADA CEMETERY DISTRICT
Nevada City, California

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unrestricted - This component of net position consists of net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that do not meet the definition of "net investment in capital assets" or "Restricted".

K. Restricted and Designated Assets

Cash, cash equivalents, and investments, which are legally limited under terms of certain agreements with third parties, are considered restricted. Board actions which restrict or limit the use of funds to specific purposes are considered designated assets not restricted. When the District designates funds for a specific purpose, and both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

L. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, the pension expense, information about the fiduciary net position of the Local Government of Example's California Public Employees' Retirement System (CalPERS) plans (plans) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications. GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date (VD) June 30, 2020

Measurement Date (MD) June 30, 2021

Measurement Period (MP) July 1, 2020 to June 30, 2021

M. Commitments and Contingencies

In the opinion of management, there is no litigation pending expected to have a material adverse effect on the overall financial position of the District at June 30, 2022.

N. Subsequent Events

The District has reviewed and evaluated the results of operations for the period of time from its fiscal year end June 30, 2022 through August 18, 2023 the date that the financial statements were available to be issued and have determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require additional disclosure.

See Independent Accountant's Audit Report

NEVADA CEMETERY DISTRICT
Nevada City, California

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 2 CASH AND INVESTMENTS

Cash and investments were comprised of the following at June 30, 2022:

	General Fund	Endowment Fund	Total
Cash at County Treasury	\$ 1,019,552	\$ 160,840	\$ 1,180,392
Total cash and equivalents			\$ <u>1,180,392</u>

Investments

The District's investment policy, in conformity with applicable California General Statutes, authorizes investments in Nevada County pooled funds. The value of the position in the pools is the same as the pool shares. These investments are not categorized since these funds and pools contain a diversified portfolio of securities within each category as defined in the following paragraph:

Category 1 includes investments that are insured or registered or for which collateral is held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker or dealer or its trust department in the District's name. Category 3 includes unsecured and unregistered investments for which securities are held by the broker or dealer or by its trust department or agent but not in the District's name.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the District's deposits may not be returned to it. Local financial institutions, under California state law, are required to collateralize local government agency deposits in excess of FDIC insured amounts up to \$250,000. As of June 30, 2022, the District did have deposits in financial institutions in excess of the insured limit.

NOTE 3 COMPENSATED ABSENCES POLICY

An employee may accumulate vacation and sick pay with a limitation as to number of hours of accumulation.

Years of Service	Rate of Accrual	Maximum Accrual
0-2 years	5 days	10 days
2-3 years	10 days	20 days
3 and over	15 days	30 days

Upon termination of employment, for any reason, employees are paid 100% of their accumulated vacation pay.

See Independent Accountant's Audit Report

NEVADA CEMETERY DISTRICT
Nevada City, California

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 3 COMPENSATED ABSENCES POLICY (Continued)

Employees leaving the Cemetery service while in good standing and for reasons other than CalPERS retirement, will be paid one-half of the equivalent dollar amount of their accumulated sick leave in excess of 192 hours, but not more than \$2,000. Employees retiring with CalPERS benefits are entitled to 100% of their unused sick leave. CalPERS retirees can choose either early retirement on a day-for-day basis or they can apply equivalent dollar amounts toward monthly premiums for group health insurance continuance.

At June 30, 2022, the accumulated vacation and sick pay was as follows:

Vacation Pay	\$	<u>11,493</u>
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NOTE 4 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters.

There is no claims liability to be reported based on the requirements of Government Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that is probable that a liability has been incurred at the date of the financial statements and the amount for the loss can be reasonably estimated.

There are no significant reductions in insurance coverage from prior years and there have been no settlements exceeding the insurance coverage for each of the past three years.

General Liability Coverage: The District carries a commercial general liability and wrongful acts insurance policy with coverage of \$25,000,000 per occurrence and an aggregate per coverage of \$25,000,000. The Districts' automobile liability and physical damage policy limits are \$25,000,000 with uninsured and motorist coverage of \$25,000,000.

Worker's Compensation Coverage: The District carries a workers' compensation insurance policy in the amount of \$5,000,000 per incident per employee.

See Independent Accountant's Audit Report

NEVADA CEMETERY DISTRICT
Nevada City, California

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 5 CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the fiscal year ended June 30, 2022 was as follows:

	<u>Balance at</u> <u>June 30, 2021</u>	<u>Additions/</u> <u>(Depreciation)</u>	<u>Disposition/</u> <u>Decreases</u>	<u>Balance at</u> <u>June 30, 2022</u>
Governmental Activities:				
Not being depreciated:				
Land	\$ 5,659,982	\$ -	\$ -	\$ 5,659,982
Subtotal	<u>5,659,982</u>	<u>-</u>	<u>-</u>	<u>5,659,982</u>
Other capital assets:				
Structures & Improvements	285,320	-	-	285,320
Equipment	<u>202,255</u>	<u>20,051</u>	<u>-</u>	<u>222,306</u>
Subtotal	6,147,557	20,051	-	6,167,608
Accumulated Depreciation:				
Structures	(262,767)	(11,412)	-	(274,179)
Equipment	<u>(135,554)</u>	<u>(18,286)</u>	<u>-</u>	<u>(153,840)</u>
Subtotal	<u>(398,321)</u>	<u>(29,698)</u>	<u>-</u>	<u>(428,019)</u>
Total Capital Assets (net)	<u>\$ 5,749,236</u>	<u>\$ (9,647)</u>	<u>\$ -</u>	<u>\$ 5,739,589</u>

Depreciation expense for the fiscal year ended June 30, 2022 was \$29,698.

NOTE 6 DEFINED BENEFIT PENSION PLAN

A. Plan Description

The District's defined benefit pension plan, the California Public Employees' Retirement System, provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. The California Public Employees' Retirement System is part of the Public Agency portion of the California Public Employees' Retirement System (CalPERS), an agent multiple employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the state of California menu of benefit provisions as well as other requirements are established by State statutes within the Public Employees' Retirement Law. The District selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance (other local methods). CalPERS issue a separate comprehensive annual financial report. Copies of the CalPERS annual financial report can be obtained from the CalPERS Executive Office at 400 P Street, Sacramento, CA 95814.

See Independent Accountant's Audit Report

NEVADA CEMETERY DISTRICT
Nevada City, California

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 6 DEFINED BENEFIT PENSION PLAN (Continued)

B. Funding Policy

For those employees hired on or after April 20, 2012 the District has implemented a 2% @ 55 tier 2 plan, which reduces the amount of employee contribution paid by the District to 7%. The District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. For new employees hired after January 1, 2013 the District benefit formula changed to a 2% @ 62 tier III where the employee contributes the full employee contribution of 6.25% of all earnings in excess of \$133.33 per month. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rates for fiscal year ended June 30, 2017 was 15.314% for tier I, 12.783% for tier II. The contribution requirements of the plan members are established by state statute and the employer contribution rate is established and may be amended by CalPERS.

C. Pension Liabilities, Pension Expense, and Deferred Outflows of Recourses and Deferred Inflows of Recourses Related to Pension

Pursuant to GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Recourses, Deferred Inflows of Recourses, and Net Position", the District recognizes deferred outflows and inflows of recourses.

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of recourses. A deferred outflow of recourses is defined as a consumption of net position by the District that is applicable to a future reporting period. The District has two items which qualify for reporting in this category which are the deferred outflows of recourses and deferred inflows of recourses. In addition to liabilities, the Statement of Financial Position will sometimes report a separate section for deferred inflows of recourses. A deferred inflow of recourses is defined as an acquisition of net position by the District that is applicable to a future reporting period. The District has one item which qualifies for reporting in this category.

At June 30, 2022 a net pension liability of \$173,097 was reported. The net pension and asset liability was measured as of June 30, 2021 and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of June 30, 2020 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability was based on a projection of the long-term share of contributions to the pension plan relative to the projected contributions of all participating employers.

For the fiscal year ended June 30, 2022 the recognized pension expense was \$44,770.

See Independent Accountant's Audit Report

NEVADA CEMETERY DISTRICT
Nevada City, California

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 6 DEFINED BENEFIT PENSION PLAN (Continued)

C. Pension Liabilities, Pension Expense, and Deferred Outflows of Recourses and Deferred Inflows of Recourses Related to Pension (continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 13,717	\$ -
Changes in assumptions	-	-
Differences between Projected and Actual Investment Earnings	-	106,792
Differences between Employer's Contributions and Proportionate Share of Contributions	-	6,664
Changes in proportion and differences between contributions and proportionate share of contributions	6,001	16,429
Contributions subsequent to the measurement date	<u>53,893</u>	<u>-</u>
Total	<u>\$ 73,611</u>	<u>\$ 129,885</u>

The amount reported as a deferred outflow of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as reduction of net pension liability in the next fiscal year. Other amounts reported as a deferred outflows of recourses and deferred inflows of recourses related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Deferred Outflows (Inflows) of Resources</u>
2023	\$ (25,363)
2024	(27,000)
2025	(28,291)
2026	(29,513)
2027	-
Thereafter	-
	<u>\$ (110,167)</u>

See Independent Accountant's Audit Report

NEVADA CEMETERY DISTRICT
Nevada City, California

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 6 DEFINED BENEFIT PENSION PLAN (Continued)

C. Pension Liabilities, Pension Expense, and Deferred Outflows of Recourses and Deferred Inflows of Recourses Related to Pension (continued)

At June 30, 2022 and 2021 the following employees were covered by the benefit terms of the Plan:

	<u>2022</u>	<u>2021</u>
Inactive employees or beneficiaries currently receiving benefits	1	1
Inactive employees entitled to but not receiving benefits	3	2
Active employees	5	4
Total	9	7

Contributions: Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

Actuarial Assumptions: The total pension liability in the June 30, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	Varies by Entry Age and Service
Investment rate of return	7.00%, net of pension plan investment including inflation

Active member mortality rates are a function of the member's gender, occupation, and age and are developed based upon plan experience. Retiree mortality assumptions were based on CalPERS' specific data that includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this data, please refer to the December 2017 experience study report (based on CalPERS website.)

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NEVADA CEMETERY DISTRICT
Nevada City, California

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 6 DEFINED BENEFIT PENSION PLAN (Continued)

C. Pension Liabilities, Pension Expense, and Deferred Outflows of Recourses and Deferred Inflows of Recourses Related to Pension (continued)

All other actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications. The accounting valuation report relies on liabilities and related validation work performed by the CalPERS Actuarial Office as part of the June 30, 2018 annual funding valuation. The census data and benefit provisions underlying the liabilities were prepared as of June 30, 2018 and certified as part of the annual funding valuation by the CalPERS Actuarial Office.

The June 30, 2020 liabilities, which were rolled forward to June 30, 2021 and used for this accounting report, are based on actuarial assumptions adopted by the CalPERS Board of Administration and consistent with the requirements of GASB 68. The asset information used in accounting is provided by the CalPERS Financial Office. The assumptions and methods are internally consistent and reasonable for PERF C.

The long-term expected rate of return on pension plan investments was determined using a building block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns rounded down to the nearest one quarter of one percent.

The long-term expected rates of return by asset class can be found in CalPERS' Comprehensive Annual Financial Report for the fiscal year ended June 30, 2022.

The expected rate of return was set equal to the single equivalent rate calculated in the report and adjusted to account for assumed administrative expenses. The target allocation and best estimates of geometric real rates of return for major asset class are summarized in the following table:

See Independent Accountant's Audit Report

NEVADA CEMETERY DISTRICT
Nevada City, California

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 6 DEFINED BENEFIT PENSION PLAN (Continued)

C. Pension Liabilities, Pension Expense, and Deferred Outflows of Recourses and Deferred Inflows of Recourses Related to Pension (continued)

Assets Class (a)	Assumed Asset Allocation	Real Return Years 1 - 10 (b)	Real Return Years 11+ (c)
Global Public Equity	50.00%	4.80%	6.00%
Fixed Income	28.0%	1.00%	2.62%
Inflation Sensitive	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Leverage		0.00%	

(a) In the System's CAFR, Fixed Income is Included in Global Debt Securities:

(b) An expected inflation of 2.0% used for this period

(c) An expected inflation of 2.92% used for this period

The 7.15% assumed investment rate of return is comprised of an inflation of 2.00%, a real return of 4.80% that is net of investment expense.

Discount rate:

The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

Sensitivity of the proportionate share of the net pension asset and liability to changes in the discount rate:

The following represents the proportionate share of the net pension liability calculated using the discount rate of 7.15 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15 percent) or 1-percentage-point higher (8.15 percent) than the current rate:

See Independent Accountant's Audit Report

NEVADA CEMETERY DISTRICT
Nevada City, California

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 6 DEFINED BENEFIT PENSION PLAN (Continued)

C. Pension Liabilities, Pension Expense, and Deferred Outflows of Recourses and Deferred Inflows of Recourses Related to Pension (continued)

	Discount Rate-1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate +1% (8.15%)
Total Pension Liability	\$ 1,778,662	\$ 1,621,973	\$ 1,339,719
Increase / (Decrease)	156,689		
Increase / (Decrease) in %	13.2%		
Plan's Net Pension Liability/(Asset)	\$ 329,786	\$ 173,097	\$ (49,157)
Increase / (Decrease)	156,689		
Increase / (Decrease) in %	90.52%		

NOTE 7 PRIOR YEAR NET POSITION BALANCE RESTATED

2021 year beginning balance of the net position was restated in the amount of \$14,352 to account for prior year collections from various Sales and Services and changes in deferred revenue.

See Independent Accountant's Audit Report

NEVADA CEMETERY DISTRICT
Nevada City, California
REQUIRED SUPPLEMENTARY INFORMATION

NEVADA CEMETERY DISTRICT
Nevada City, California

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget
Revenues				
Taxes	\$ 478,767	\$ 498,458	\$ 614,322	\$ (115,864)
Charges for Current Services	78,100	100,160	90,403	9,757
Interest	10,893	11,329	25,785	(14,456)
Other Income	-	-	784	(784)
Total Revenue	<u>\$ 567,760</u>	<u>\$ 609,947</u>	<u>\$ 731,294</u>	<u>\$ (121,347)</u>
Expenditures:				
Salaries & Employee Benefits	\$ 357,500	379,514	\$ 412,848	\$ (33,334)
Service & Supplies	171,759	172,464	149,938	22,526
Capital Outlay	606,261	667,916	20,051	647,865
Total Expenditures	<u>\$ 1,135,520</u>	<u>\$ 1,219,894</u>	<u>\$ 582,837</u>	<u>\$ 637,057</u>
Budgetary Change in Net Position, June 30, 2022	<u>\$ (567,760)</u>	<u>\$ (609,947)</u>	<u>\$ 148,457</u>	<u>\$ (758,404)</u>

See Independent Accountant's Audit Report

NEVADA CEMETERY DISTRICT
Nevada City, California

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
ON BUDGETARY ACCOUNTING AND CONTROL**

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE A: GENERAL BUDGET POLICIES

Formal budgetary integration is employed as a management control device during the year for the General Fund. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) and consistent with the basis used for financial reporting. The budget and GAAP information for the general fund reported on the Statement of Revenues, Expenditures and Changes in Net Fund Balances - Governmental Funds, reports the differences with contingencies. For GAAP purposes, contingencies are represented in the respective category.

NEVADA CEMETERY DISTRICT
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
(Audited)

AS OF JUNE 30, 2022
LAST 10 FISCAL YEARS *

	Miscellaneous Plan
Proportion of the net pension liability (asset)	0.006443%
Proportionate share of the net pension liability (asset)	\$ 173,097
Covered employee payroll	\$ 253,259
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	68.35%
Plan fiduciary net position as a percentage of the total pension liability	92.21%

* In accordance with paragraph 81.a of GASB 68, employers will need to disclose a 10-year history of their proportionate share of the Net Pension Liability (Asset) in their RSI. The 10-year schedule will need to be built prospectively. The schedule above is only for the current year.

See Independent Accountant's Audit Report

SCHEDULED OF REQUIRED SUPPLEMENTAL INFORMATION

NEVADA CEMETERY DISTRICT

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

LAST 10 FISCAL YEARS

	2012	2013	2014	2015	2016	2017	2018	2019
TOTAL PENSION LIABILITY								
Service Cost	\$ -	\$ -	\$ 49,689	\$ 22,245	\$ 20,955	\$ 30,252	\$ 70,328	\$ 28,745
Interest	-	-	151,057	81,380	99,473	160,133	219,001	91,546
Changes of Benefits Terms	-	-	-	-	43	78	56	42
Differences Between Expected and Actual	-	-	-	102	(186)	(68,402)	26,112	23,067
Changes of Assumptions	-	-	-	9,314	-	78,245	(20,685)	-
Benefit Payments, Including Refunds of Member Contributions	-	-	(94,393)	(45,347)	(44,696)	(60,114)	(146,253)	(62,220)
Changes of Proportions	-	-	-	-	(107,067)	-	-	-
Net Change in Total Pension Liability	75,198	52,180	106,352	67,693	75,589	140,192	148,558	81,180
TOTAL PENSION LIABILITY - BEGINNING	<u>711,417</u>	<u>786,615</u>	<u>838,795</u>	<u>945,147</u>	<u>905,773</u>	<u>981,362</u>	<u>1,121,554</u>	<u>1,270,112</u>
TOTAL PENSION LIABILITY - ENDING(a)	<u>\$ 786,615</u>	<u>\$ 838,795</u>	<u>\$ 945,147</u>	<u>\$ 1,012,840</u>	<u>\$ 981,362</u>	<u>\$ 1,121,554</u>	<u>\$ 1,270,112</u>	<u>\$ 1,351,292</u>

(Continued)

See Independent Accountant's Audit Report

SCHEDULED OF REQUIRED SUPPLEMENTAL INFORMATION
NEVADA CEMETERY DISTRICT

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS (Continued)
LAST 10 FISCAL YEARS

PLAN FIDUCIARY NET POSITION	2012	2013	2014	2015	2016	2017	2018	2019	2020
Contributions -Employer	\$ -	\$ -	\$ 24,531	\$ 18,036	\$ 23,218	\$ 26,110	\$ 29,887	\$ 35,501	\$ 48,946
Contributions -Employee	-	-	10,964	16,053	9,176	26,154	16,670	16,605	15,373
Net Investment Income & Experience	-	-	141,701	18,057	4,185	56,158	111,065	97,645	75,164
Benefit Payment, Including Refund of Employee Contributions	-	-	(94,393)	(45,347)	(44,696)	(60,114)	(146,253)	(62,220)	(66,872)
Net Plan to Plan Resource Movement	-	-	47,760	8,381	1,971	37,166	116,550	-	-
Administrative Cost	-	-	(1,186)	921	(503)	(10,237)	(20,944)	(976)	(1,888)
Change in Proportion Adjustment	-	-	-	-	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	<u>36,724</u>	<u>80,307</u>	<u>129,377</u>	<u>16,102</u>	<u>(6,647)</u>	<u>75,237</u>	<u>106,975</u>	<u>86,555</u>	<u>70,723</u>
Plan Fiduciary Net Position - Beginning	558,072	594,796	675,103	804,480	820,582	813,934	889,171	996,146	1,082,601
Plan Fiduciary Net Position - Ending (b)	594,796	675,103	804,480	820,582	813,934	889,171	996,146	1,082,601	1,153,324
PLAN NET PENSION LIABILITY ((ASSET) - (a)-(b))	<u>\$ 191,819</u>	<u>\$ 163,692</u>	<u>\$ 140,667</u>	<u>\$ 192,258</u>	<u>\$ 167,428</u>	<u>\$ 232,383</u>	<u>\$ 273,966</u>	<u>\$ 268,691</u>	<u>\$ 285,411</u>
Plan Fiduciary Net Position as Percentage of the Total Pension Liability	75.61%	80.48%	85.12%	81.02%	82.94%	79.28%	78.43%	80.12%	80.16%
Covered Payroll	155,199	158,710	170,297	119,862	134,804	150,549	112,922	120,515	125,299
Plan Net Pension Liability/(Asset) as a Percentage of Covered-Employee Payroll	123.60%	103.14%	82.60%	160.40%	124.20%	154.36%	242.62%	222.95%	227.78%

See Independent Accountant's Audit Report

SCHEDULED OF REQUIRED SUPPLEMENTAL INFORMATION

NEVADA CEMETERY DISTRICT

SCHEDULE OF CONTRIBUTIONS

LAST 10 FISCAL YEARS

	2012	2013	2014	2015	2016	2017	2018	2019	2020
Actuarially Determined Contributions	\$ -	\$ -	\$ 28,073	\$ 19,759	\$ 22,222	\$ 23,864	\$ 26,711	\$ 31,478	\$ 36,111
Contributions in Relation to the Actuarially Determined Contribution	-	-	(24,531)	(18,036)	(23,218)	(26,110)	(29,887)	(35,501)	(48,501)
Contributions Deficiency (Excess)	\$ -	\$ -	\$ 3,542	\$ 1,723	\$ (996)	\$ (2,246)	\$ (3,176)	\$ (4,023)	\$ (12,390)
Covered Payroll	\$ 129,925	\$ 155,199	\$ 170,297	\$ 165,539	\$ 163,692	\$ 185,554	\$ 194,124	\$ 200,554	\$ 215,554
Contributions as a Percentage of Covered Payroll			14.40%	10.90%	14.18%	14.07%	15.40%	17.70%	22.5%

See Independent Accountant's Audit Report

NEVADA CEMETERY DISTRICT
SCHEDULE OF THE CONTRIBUTIONS TO COVERED PAYROLL
(Audited)

AS OF JUNE 30, 2022

		Miscellaneous Plan
Contractually required contribution	\$	56,987
Contributions in relation to the contractually required contribution		44,770
Contribution deficiency (excess)	\$	12,217
Covered employee payroll		253,260
Contributions as a percentage of covered-employee payroll		17.68%

*Amounts presented were determined as of calendar year January 1 – December 31. Employers will be required to prospectively develop this table in future years to show 10 years of information. The schedule above is only for the current year. Prior year numbers are available from the District prior year note disclosure information.

See Independent Accountant's Audit Report

NEVADA CEMETERY DISTRICT
Nevada City, California

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Note 1: Note to Schedules –Actuarial

Actuarially Determined Contributions rates are calculated as of June 30, the end of fiscal year in which contributions are reported

Methods and Assumptions used to Determine contributions rates:

Actuarial Cost Method Entry Age Normal in Accordance with the Requirement of GASB NO.68
 Amortization Method Level Percent of Payroll
 Asset Valuation Method Market Value /Actuarial Value of Assets.

Actuarial Assumptions

Discount Rate 7.00% (Net of Administrative Expenses)
 Projected Salary Increases Varies depending on Age, Service, and type of employment
 Inflation 2.50%
 Payroll Growth 2.75%
 Individual Salary Growth A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.50% and an annual production growth of 0.25%.

Salary Increase Varies by Entry Age and Service

Investment Rate of Return 6.90% Net of Pension Plan Investment and Administrative Expenses; includes Inflation.

Retirement Age The probabilities of Retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015.

Mortality

The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2000 to 2019. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP published

NEVADA CEMETERY DISTRICT
Nevada City, California

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Note 2 Change in Benefit Terms

The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2021 as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of Two Year Additional Service Credit (a.k.a. Golden Handshakes). Employers that have done so may need to report this information as a separate liability in their financial statement as CalPERS considers such amounts to be separately financed employer-specific liabilities.

See Independent Accountant's Audit Report

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL
CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS**

To Board of Directors
Nevada Cemetery District
Nevada City, CA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Nevada Cemetery District as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise Nevada Cemetery District's basic financial statements, and have issued our report thereon dated August 18, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Nevada Cemetery District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Nevada Cemetery District's internal control. Accordingly, we do not express an opinion on the effectiveness of Nevada Cemetery District's internal control.

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. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying

schedule of findings and responses that we consider to be significant deficiency as item list numbers 2022-FS 01 and 2022-FS 02 of the related finding.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Nevada Cemetery District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Nevada Cemetery District's Response to Findings

Nevada Cemetery District's response to the findings identified in our audit are described in the schedule of findings and responses. Nevada Cemetery District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Devant CPAs

Devant CPAs

Certified Public Accountant

Roseville, CA

August 18, 2023



Certified Public Accountants

3007 Douglas Blvd., Suite 155, Roseville, CA 95661

916.822.5128 Fax 916.218.6282 Email inquiry@stncpas.com

SCHEDULE OF FINDINGS AND RESPONSES WITH MANAGEMENT COMMENTS

To the Board of Trustees
Nevada Cemetery District
Nevada City, CA

Finding 2022-FS Material Weakness: 01 Statement on Auditing Standards No. 115 (AU Section 325)

Criteria:

Per Statement on Auditing Standards No. 115, Communication of Internal Controls and Related Matters Identified in an Audit (SAS 115). The standard provides guidance in that if any entity is unable to draft its own financial statements, there may be a material weakness or significant deficiency. External auditors cannot be part of the District's internal controls, including controls over the preparation of the financial statements, and are prohibited from auditing their own work as doing so impairs their independence. The District should have the capacity to prepare full-disclosure financial statements in accordance with generally accepted accounting principles. To carry out this responsibility, the District must have proper internal controls over financial reporting in place. Proper internal controls over financial reporting include but are not limited to, internal controls that identify misstatements in the financial records, retaining staff competent in financial reporting and related oversight roles, and adequate design of internal control over the preparation of the financial statements.

The District should be able to prepare full-disclosure financial statements per U. S. generally accepted accounting principles. To carry out this responsibility, the Organization must have proper internal controls over financial reporting in place. Proper internal controls over financial reporting include but are not limited to, internal controls that identify misstatements in the financial records, retaining staff competent in financial reporting and related oversight roles, and good design of internal control over the preparation of the financial statements.

Condition:

Currently, the District relies on external auditors to ensure its financial statements are in accordance with generally accepted accounting principles (GAAP).

Cause:

The entity's limited accounting size and staffing resources rely on external auditors to assist with the financial statements and related notes without being subject to control deficiencies.

NEVADA CEMETERY DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Effect or Potential Effect:

The risk of misstatement in the financial statements increases when Management is not able to apply GAAP in recording the entity's financial transactions or preparing its financial statements, including the related notes. In addition, by relying on external auditors to ensure its financial statements are in accordance with GAAP, the District is considering the external auditors a part of its internal controls over the preparation of the financial statements.

Recommendation:

We recommend that the District provide training opportunities for its accounting staff that would enable them to become more familiar with the general disclosure requirements. This training should include, but is not limited to, the use of a disclosure checklist, which provides guidance to the financial statement's content and whether a necessary disclosure has been overlooked. The District may find that the costs outweigh the benefits of adhering to this standard. No action will continue to result in a significant deficiency in the District's internal controls over the preparation of the financial statements.

Corrective Action Plan:

The current Treasurer and the Board of Trustees are diligent about this requirement; however, the District is unable to implement this requirement at this time. However, we recommend training existing accounting staff to prepare financial statements in accordance with GAAP, or hiring an outside accountant to prepare.

Management Comment:

Views of Responsible Officials and Planned Corrective Actions: Due to cost constraints and budget limitations, the District does not have the financial means to hire an additional staff member in the accounting department to prepare the financial statements and the footnote disclosures in accordance with U.S. GAAP; however, the Management of the entity and those charged with governance intend and plan on gradually training and educating its existing employee(employees) so, he/she/they would be able to prepare the financial statements and the footnote disclosures in accordance with Generally Accepted Accounting Principle in the U.S.

Finding 2022-FS 02 Significant Deficiency in Internal Control over Financial Reporting

—Inadequate Segregation of Duties

Criteria:

The District should have proper segregation of duties and responsibilities between different individuals for review, approval, authorization, custody of assets, recordkeeping for those assets, and reconciliation of those asset accounts is a vital control activity needed to adequately protect the entity's assets and ensure accurate financial reporting. Reasonable internal control over authorization of disbursements requires that all authorized disbursement

NEVADA CEMETERY DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

packages be reviewed by an independent employee or independent contractor or Treasurer not involved in the authorization, recording, or approval procedures.

Condition:

Presently, the General Operation Manager reviews and approves all the disbursements and expenses.

In addition, currently, the outside bookkeeper is performing the accounting functions. The outside bookkeeper records the receipts/cash related to revenue, checks payments for service billing, and records adjustment. In addition, the outside bookkeeper balances the cash balance, posts payments to subsidiary accounts, and reconciles the monthly bank statements. All recordings are done with partial or incomplete oversight from the District.

Context:

We observed inadequate segregation of duties by reviewing the District's chart, observing the billing and cash payment functions on four random days during interim fieldwork, and through interviews with personnel and Management. Cash payments and cash receipts represent the entirety of the cash flow of the entity.

Effect or Potential Effect:

Without sufficient segregation of duties, the risk significantly increases that errors and fraud related to the billing, disbursements, and collection of contributions/donations, including misappropriation of assets, could occur and not be detected in a timely manner. The risk of errors, the risk of management overrides and/or irregularities not being detected and prevented in a timely manner is increased when the approval and recording are not reviewed by an independent employee/manager/contractor (i.e., Treasurer) not involved in the authorization, recording, or approval procedures.

Cause:

The District's limited size and staffing resources have made it difficult for Management to provide sufficient staffing to fully segregate these duties cost-effectively. The District did not have an independent employee reviewing the approval, reviewing of the invoices.

Recommendation:

Management and the Board of Trustees should consider a formal evaluation of the risks associated with this lack of duties segregation over utility cash disbursements, cash receipts, and receivables. In response to the identified risks, consideration should be given to identifying and implementing controls that could help mitigate the risks associated with the lack of segregation of duties, such as providing increased management oversight and an independent reconciliation of accounts. For example, the entity might consider soliciting the assistance of independent labor to perform certain functions, including daily balancing and monthly reconciliations.

NEVADA CEMETERY DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Management Comment:

Views of Responsible Officials and Planned Corrective Actions: Due to cost-benefit analysis and budget limitation, the entity does not have the means to hire additional staff in the accounting and administrative department; hence, the Management of the entity intends and plans to implement alternative controls to compensate for the deficiency in the internal controls by having a third person not involved in the recording, recordkeeping and authorization process to review the recording and authorization procedures.

Finding 2022-FS 03 Material Weakness: Internal Control Policy and Accounting Policies and Procedures — Not officially Adopted, Reviewed, Approved, and Updated.

Criteria: Proper Internal Control Procedures over Financial Reporting, Receipts/Revenue, Expenses/Disbursements, and other applicable accounting cycles require that a District have proper, fully functional, implemented, followed, updated, and reviewed accounting policies and procedures manual. It indicates that the Board needs to adopt, review, and approve the Policies/Procedures and the Internal Control Procedures.

Condition:

There is no evidence that the Board reviewed, approved, and updated the Accounting Policies and Procedures and the Internal Control Procedures.

Cause:

The District's limited management size has the opportunity and means to delay or prematurely report, record, and post various transactions. i.e., Disbursements/Expenses and Receipts.

Effect or Potential Effect:

Due to Accounting Policies and Procedures and Internal control Procedures not being officially adopted, approved, and reviewed, the risk of management override of controls, risk of material misstatements and errors, and understatement/overstatement of Expenses/Disbursements and Revenue/Receipts and Accruals and Payables are increased. Also, there is an increased risk of fraud and/or risk that asset misappropriation may occur without timely detection, prevention, and deterrence.

Recommendation:

We recommend that the Management have the internal control procedures and accounting policies and procedures approved and reviewed by the Board. Also, we recommend that the Board re-evaluate and review these procedures as frequently as necessary but not longer than 12 months from the last review/revision date.

Corrective Action Plan:

NEVADA CEMETERY DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

The District's Management, along with the Board of Trustees, is currently contemplating on remedy this material weakness.

Management Comment:

The Management of the entity, together with the Board of Trustees, intends and plans on adopting and approving the internal controls in the subsequent to next fiscal year or within the two next fiscal years.

2022-FS 04 Material Weakness: The Board of Trustees has not yet implemented a formal process of monitoring and reviewing internal controls.

Criteria:

Properly implemented and functioning monitoring and reviewing processes help to prevent, detect and deter the risk of fraud, the risk of material misstatement, and management override of controls. Internal Control Procedures and Accounting Policies require Management and those Charged with Governance that all Internal Control Procedures and Accounting Policies be consistently applied, properly and timely reviewed and updated. Also, properly functioning Internal Controls should contain the necessary support documentation that these controls are followed.

Condition:

The Board of Trustees has not yet implemented a formal process of monitoring and reviewing internal controls established by Management to ensure the effectiveness of the internal control system over time. Additionally, the lack of documentation on certain critical controls creates an inability to monitor those controls.

Cause:

The District has not implemented a formal process of monitoring and reviewing internal controls.

Effect or Potential Effect:

Due to the formal process of monitoring and reviewing internal controls procedures not being officially adopted, approved, and reviewed by the Board, the risk of management override of controls and risk of material misstatements and errors is increased. Also, there is an increased risk of fraud and/or risk that asset misappropriation may occur without timely detection, detection, and deterring.

Recommendation:

We recommend that the Board monitor frequently and closely the internal controls procedures. Also, the Management and the Board should review and update the internal control procedures, accounting policies, and procedures as frequently as possible but not longer than 12 months from the last review/revision date.

NEVADA CEMETERY DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Corrective Action Plan:

The District's Management, along with the Board of Trustees, is currently contemplating on remedy this material weakness.

Management Comment:

The Board of Trustees intends and plans on adopting and implementing a formal process of monitoring and reviewing internal controls within the next two fiscal years.

Devant CPAs

Devant CPAs

Roseville, CA

August 3, 2023



devant

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COMMUNICATION LETTER TO MANAGEMENT REGARDING SIGNIFICANT DEFICIENCIES AND/OR MATERIAL WEAKNESSES

August 18, 2023

Board of Trustees
Nevada Cemetery District
10523 Willow Valley Road
Nevada City, CA 95959

Material and Significant Audit Findings

In planning and performing our audit of the financial statements of Nevada Cemetery District as of and for the year ended June 30, 2022, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we considered Nevada Cemetery District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Nonprofit Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Nevada Cemetery District'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 significant deficiencies or material weaknesses and therefore, there can be no assurance that all such deficiencies have been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls.

However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies 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 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 consider the deficiencies in Nevada Cemetery District's internal control presented in Audit Findings Letter Attached to this letter to be material weaknesses.

The following is a summary of deficiencies that we consider it to be a material weakness:

- The Board of Directors has not yet implemented a formal process of monitoring and reviewing internal controls established by management to ensure the effectiveness of the internal control system over time. Additionally, the lack of documentation of certain key controls creates an inability to monitor those controls.
- Accounting Policies and Procedures have not been reviewed and approved by the Board.
- Internal Controls have not been fully implemented.

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 deficiencies in Nevada Cemetery District's internal control presented in Audit Findings Attached to this letter to be significant deficiencies.

The following is a summary of deficiencies that we consider it to be significant deficiency:

- Inadequate segregation of duties within the accounting process due to small staff size.
- Lack of support documentation of the Internal Controls procedures.

This communication is intended solely for the information and use of the proprietors, management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Nevada Cemetery District's written response to the significant deficiencies and material weaknesses identified in our audit has not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Sincerely,

Devant CPAs

Devant, CPAs

Certified Public Accountants



devant

Certified Public Accountants

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Communication with Those Charged with Governance

Board of Trustees
Nevada Cemetery District
10523 Willow Valley Road
Nevada City, CA 95959

We have audited the financial statements of Nevada Cemetery District for the year ended June 30, 2022, and have issued our report thereon dated August 18, 2023. 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 engagement letter to you dated August 24, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Nevada Cemetery District are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during ending June 30, 2022. We noted no transactions entered into by the District 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 estimate(s) and accounting codifications affecting the financial statements were the estimates for uncollectible accounts and the recording for the uncollectible accounts.

Management should estimate and account for the allowance for uncollectible membership dues which should be based on historical collection rates and an analysis of the collectability of individual accounts. We evaluated the key factors

and assumptions used to develop the allowance in determining that it is 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 disclosure(s) affecting the financial statements were:

The disclosure of the Organization's Significant Accounting Policies in Note 1, to the financial statements as it describes the accounting pronouncements adopted, the District's liquidity, and commitments, respectively.

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 misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Managements

For purposes of this letter, a disagreement with management is a disagreement on 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 Representations

We have requested certain representations from management that are included in the management representation letter dated August 18, 2023.

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 Organization'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 District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

During the audit, we discovered significant deficiencies and material weaknesses in the internal controls procedures.

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 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 consider the following deficiencies Nevada Cemetery District's internal controls to be material weaknesses.

- The Board of Directors has not yet implemented a formal process of monitoring and reviewing internal controls established by management to ensure the effectiveness of the internal control system over time. Additionally, the lack of documentation of certain key controls creates an inability to monitor those controls.
- The District does not have an officially adopted, reviewed, updated Internal Control Procedures and an Accounting Policies and Procedures Manual by the Board of Directors.
- The District relies on external auditors to ensure its financial statements are in accordance with generally accepted accounting principles (GAAP).
- The District currently relies on external auditors to assess and assist with internal control procedures.
- Internal Controls have not been fully implemented.

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 Nevada Cemetery District's internal control presented to be significant deficiencies:

- Inadequate segregation of duties within the accounting process due to small staff size.
 - i) The District does not have proper segregation of duties and responsibilities between different individuals *for review, approval, authorization*, custody of assets, recordkeeping for those assets, and reconciliation of those asset accounts.
 - ii) The District should properly segregate the duties and responsibilities between different individuals *for review, approval, and authorization of the Journal Entries Report or Supporting Schedule* to the Financial Statements.

- Lack of support documentation of the Internal Controls procedures.

Other Matters

We applied certain limited procedures to Budgetary comparison Schedule – General Fund, Schedule of Changes in the Net Pension Liability, Schedule of Contributions, Schedule of Contributions to Payroll, Notes Required Supplementary Information which are (is) required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

- We were engaged to report on Budgetary comparison Schedule – General Fund, Schedule of Changes in the Net Pension Liability, Schedule of Contributions, Schedule of Contributions to Payroll, Notes Required Supplementary Information which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This communication and information is intended solely for the information and use of the proprietors, management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Devant CPAs

Devant, CPAs
Certified Public Accountants
Roseville, CA 95661

NEVADA CEMETERY DISTRICT

MANAGEMENT REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Devant, CPAs
3007 Douglas Blvd., Suite 155

Roseville, CA 95661

**NEVADA CEMETERY DISTRICT
MANAGEMENT REPORT**

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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Certified Public Accountants 3007 Douglas Blvd., Suite 155, Roseville, CA 95661

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August 18, 2023

To The Board of Trustees of the
Nevada Cemetery District
Nevada City, CA

In planning and performing our audit of the financial statements of Nevada Cemetery District (The District) for the fiscal year ended June 30, 2022 we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

Our consideration of internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce, to a relatively low level, the risk that errors or irregularities in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

We will review the status of these comments during our next audit engagement. We will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. We thank the District's staff for its cooperation on this audit.

Devant CPAs

Devant Assurance CPAs
3007 Douglas Blvd., Suite 155
Roseville, CA

Nevada Cemetery District
Required Communication
For The Fiscal Year Ended June 30, 2022

The Auditors' Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated August 24, 2021, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the District are described in Note 1 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 District during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Internal Control Related Matters

In any smaller entity, whether private enterprise or a governmental District, the lack of segregation of duties can present potential issues in regards to the perpetuation and concealment of fraud. Even with a perfect segregation of duties, frauds can be perpetrated and concealed; however, the District can perform some specific control procedures to help reduce the risk of fraud. Some of the controls would include:

- Having someone independent of the bank reconciliation function review the bank statements on a monthly basis.

**Nevada Cemetery District
Required Communication
For The Fiscal Year Ended June 30, 2022**

- Examining financial statements on a monthly basis at the management and department levels.
- Examining a budget to actual report on a frequent basis
- Comparing the financial statements on a detailed level to the prior year on a frequent basis.
- Having someone independent of the payroll process review payroll on a bi-weekly basis, checking for accuracy of pay rates, paid time off recorded, etc.
- Verifying that a second person is approving all disbursement activity and that an individual independent of the accounting function is signing checks and asking questions about invoices presented for payment.
- Frequently displaying "professional skepticism" when considering staff responses on District finances.

California Government Code Section 12422.5 requires the State Controller's office to develop internal control guidelines applicable to each local District by January 1, 2015. The intent of the legislation is to assist local agencies in establishing a system of internal control to safeguard assets and prevent and detect financial errors and fraud. To this end, the State Controller's Office has produced a draft of control guidelines for local Agencies. As the District contemplates changes to its system of internal control, we advise in utilizing these guidelines when developing internal procedures to assist with your internal control processes.

The State Controller's office has defined internal controls into five components that work together in an integrated framework. Their guidelines were adopted from the definitions and descriptions contained in *Internal Control - Integrated Framework*, published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The components are:

- Control Environment
- Risk Assessment
- Control Activities
- Information and Communication
- Monitoring Activities

Control environment is the set of standards, processes, and structures that provided the basis for carrying out internal control across the entity. The governing board and management establish the "tone at the top" regarding the importance of internal control, including expected standards of conduct which then cascade down through the various levels of the organization and have a strong effect on the overall system of internal control.

A District's *Risk Assessment* process includes how management identifies risks (including fraud risk) relevant to the preparation and fair presentation of the financial statements in accordance with the District's applicable financial reporting framework. In addition, this would also involve

Nevada Cemetery District
Required Communication
For The Fiscal Year Ended June 30, 2022

areas of business and operational risk which could potentially affect the District's performances on a go-forward basis.

The District's risk assessment process is an extremely important activity the board and management should undertake. Every organization, public or private, faces business risks on a day-to-day basis. Identifying those risks and acting on them in a timely manner may prevent future problems from becoming completely unmanageable.

Management should consistently attempt to identify risks that exist and present those risks to the board for action. It is impossible for us to identify every potential risk that exists, but either way, it is a responsibility of management and the board to proactively identify risks that could adversely affect the District's operations.

Control Activities are in reference to establishing policies and procedures that achieve management directives and respond to identified risks in the internal control system. These are specific procedures designed to perform a secondary review of internal processes that will allow for segregation of duties and a management level review of processed transactions.

Information and Communication are the District's methods of identifying what information is relevant to present to management and the board to assist the District in making the correct decisions. It also is in reference to the District's internal processes of gathering and summarizing that information.

Monitoring involves evaluating the effectiveness of controls on an on-going basis and taking remedial actions when necessary when identified by the other control procedures in place. On-going monitoring activities often are built into the normal recurring activities of a local government and include regular management and supervisory activities.

There is no catch-all for finding all instances of fraud within any entity, whether public or private. One of the key factors in helping prevent fraud is to encourage ethical behavior at all levels of the organization, i.e., "tone at the top." Another key would be to note instances of abnormal behavior of finance or accounting staff when questioned about District financial matters.

The District should remember that they have outside resources available in the case of fraud – they are able to contact the District auditor, their attorney, or the county auditor-controller should anyone feel there is a chance of fraud or abuse.

Accounting Estimates

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

**Nevada Cemetery District
Required Communication
For The Fiscal Year Ended June 30, 2022**

future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements were:

- Capital asset lives and depreciation expense

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the District's financial reporting process (that could cause future financial statements to be materially misstated). The following audit adjustments, in our judgment, indicate matters that could have a significant effect on the District's financial reporting process:

- Posting current year depreciation expense
- Posting year-end accounts payable
- Making all GASB 34 adjustments on behalf of the District
- Making all GASB 68 adjustments on behalf of the District

Disagreements with Management

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

Consultations with Other Independent Auditors

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 governmental unit'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.

**Nevada Cemetery District
Required Communication
For The Fiscal Year Ended June 30, 2022**

Issues Discussed Prior to Retention of Independent Auditors

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 District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

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

Devant CPAs

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