



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 the Board of Trustees
Orange County Cemetery District
Lake Forest, California

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 (*Government Auditing Standards*), the financial statements of the governmental activities, and each major fund, of the Orange County Cemetery District (District), as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise District’s basic financial statements and have issued our report thereon dated March 28, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of District’s internal control. Accordingly, we do not express an opinion on the effectiveness of 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 District’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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as item 2023-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 financial statements. 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as item 2023-001.

District's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the finding identified in our audit and described in the accompanying Schedule of Findings and Responses. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The image shows a handwritten signature in cursive script that reads "Eide Sully LLP".

Laguna Hills, California
March 28, 2024

2023-001

Budget

Type of Finding: Material Weakness and Noncompliance

Criteria:

Management has the responsibility for ensuring the ongoing financial health of the District. To accomplish this task, it is imperative that the District supplement appropriations in excess of budgeted amounts when they occur. The District adopts an annual budget, with the lowest level of budgetary control exercised by the District's governing body at the fund level.

Condition:

For the year ending June 30, 2023, the District had expenditures in excess of budgeted appropriations, resulting in excess expenditures of \$1,132,852 for the General Fund. Additionally, the District utilized the Economic Uncertainty Fund for unanticipated expenditures in the General Fund, including \$134,400 for salaries and benefits expenditures and \$97,776 for services and supplies, against the \$1,132,852 excess expenditures.

Cause:

The District's General Fund budget was not amended for excess expenditures during the year ended June 30, 2023.

Effect:

Excess expenditures over budgeted appropriations of \$1,132,852 are disclosed in the Notes to Required Supplementary Information.

Context:

The condition was noted during our audit procedures over the District's financial statements and related budgetary comparison schedules included within the District's financial statements for the year ended June 30, 2023.

Recommendation:

We recommend the District revisit and/or amend the budget, when funds may be in excess of original amounts.

Views of Responsible Officials:

The District's management accepts the audit finding and recommendation. For further clarification, we note that approximately \$905,000 of the \$1,132,852 excess expenditures over budgeted appropriations are related to debt service principal/interest expenditures and capital outlay. The principal and interest expenditure was the first loan repayment totaling \$610,706 that was not budgeted due to the timing of budget preparation and the finalization of the budget documents; the capital outlay expenditure overage was related to the Gypsum Canyon flagpole, for which the District received \$295,000 in reimbursement from the County of Orange upon completion. The debt service expenditures are included in the FY 2023-24 Operating Budget and we will monitor the total variance for the next fiscal year.

<u>Finding No.</u>	<u>Program</u>	<u>Current Year Status</u>
2022-001	Financial Reporting and Closing	Partially implemented.