

**HAPPY HOMESTEAD CEMETERY DISTRICT
MANAGEMENT REPORT
JUNE 30, 2018**

LARRY BAIN, CPA

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COMMUNICATION OF SIGNIFICANT DEFICIENCIES

Board of Trustees
Happy Homestead Cemetery District
South Lake Tahoe, CA

We have audited the financial statements of Happy Homestead Cemetery District as of and for the fiscal year ended June 30, 2018, and have issued our report thereon dated December 10, 2018. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Happy Homestead Cemetery District's (District) internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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 material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily 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. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or 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 findings 18-1 and 18-2 in the following schedule of findings to be a significant deficiencies in the District's internal control.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal controls over financial reporting and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control. This report is an integral part of an audit performed in accordance with auditing standards generally accepted in the United States of America in considering the District's internal control over financial reporting, accordingly this report is not suitable for any other purpose.

This report is intended solely for the information and use of the board of directors and management of Happy Homestead Cemetery.

Larry Bain, CPA,
An Accounting Corporation
December 10, 2018

HAPPY HOMESTEAD CEMETERY DISTRICT

Schedule of Findings
June 30, 2018

INTERNAL CONTROL FINDINGS

Deemed to be Significant Deficiency and Not Material Weakness

Finding 18-1

We noted the District had a lack of segregation of duties, as one person, or related persons are capable of handling all aspects of processing transactions from beginning to end. A lack of segregation of duties increases the risk of potential errors or irregularities; however, due to a limited number of personnel an adequate segregation of duties is not possible without incurring additional costs. This is a common condition for entities of this size. This comment was noted in previous audits.

Finding 18-2

During our testing of the preneed balances we noted instances when a preneed account was established under a payment plan had paid off, the plot was not added to the preneed list. Furthermore we noted the payment plan schedule was difficult to balance give the information presented on the reconciliation of the beginning balance and payments made on the plan. Because of the way the information was presented it increases the risk that errors will occur in collecting the correct amounts.

Recommendation: We recommend that the District create controls over adding the payment plan preneed plots to the preneed list. This could be done by adding a checklist to the bottom of the payment plan payment schedule so that when all payments have been received the office manager would check off all additional accounting steps to add the plot to the index cards and to the preneed master list. We also recommend adding a simple formula on the preneed payment plan schedule showing the beginning payment plan balance, the payments made and a running total of the outstanding balance. The District should also consider linking each payment plan to a master schedule so that at any given time the District would know who owes what and the total amount of the outstanding payment plans.

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December 10, 2018

To the Board of Trustees
Happy Homestead Cemetery District

We have audited the financial statements of the governmental-type activities of Happy Homestead Cemetery District for the year ended June 30, 2018, and have issued our report thereon dated December 10, 2018. Professional standards require that we provide you with the following information related to our audit.

Our responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 15, 2018, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit in November 2018 in accordance with the planned scope and timing previously communicated on May 15, 2018. The final audit was issue on December 10, 2018 also in accordance with the planned scope.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

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 Happy Homestead Cemetery District are described in Note 1 to the financial statements. The policies were not changed during the 2017-2018 fiscal year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. We noted no prior period adjustments needed.

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) affecting the financial statements was (were):

Management's estimate of the useful lives of assets for calculating depreciation expense is based on GFOA recommended useful lives. We evaluated the key factors and assumptions used to develop the useful life estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We discussed with management and management chose not to adjust a \$3,300 accrued expense for Turner and Associates and \$11,656 for payment plan receivables. All other know adjustments were recorded.

Disagreements with Management

For purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significance 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 December 10, 2018.

Management Consultation 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 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.

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

We noted the District did a good job preparing for the audit and reconciling the general ledger to the underlying supporting documents and the contract accountant has done a good job in supporting the District’s accounting function.

This information is intended solely for the use of the Board of Trustees and management of Happy Homestead Cemetery District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Larry Bain, CPA,
An Accounting Corporation