

# **COUNTY OF CALAVERAS COUNTY**

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## **SPECIAL DISTRICT FINANCIAL MANUAL**

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**Auditor-Controller**

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## 1. Preface

The Auditor-Controller compiled this manual to provide useful information to special district boards and staff for the financial management of the districts. It is distributed to all special districts within the county.

This manual will be updated as needed and is also available online at:

<http://auditor.calaverasgov.us/Home/tabid/1089/FolderID/1390/Default.aspx>

## 2. Conformance to Codes and Policies

Special districts are legally constituted governmental entities that are neither cities, counties, redevelopment agencies, nor school districts, but include joint powers agencies and certain nonprofit corporations. They are created under various statutes and are either governed by independently elected boards or by the Board of Supervisors directly or through appointments.

- a) The provisions of law relating to county budget and other fiscal matters apply generally to any district whose governing body is the board of supervisors or is appointed by the board of supervisors, or for which the county auditor is the ex-officio fiscal officer.
- b) The county auditor-controller is statutorily the ex-officio fiscal officer of all districts whose funds are kept in the county treasury. The county auditor-controller is charged by law with prescribing and exercising general supervision over the accounting forms and method of accounts for the county and special districts that are governed by the board of supervisors or for which s(he) is the ex-officio fiscal officer.
- c) The district funds are on deposit with the county treasury and are disbursed to third parties as requested by the district. The district is required by state codes of regulations to conform to the uniform accounting, reporting and budget procedures for special districts prescribed by the state controller.
- d) The county employs accounting and reporting policies and procedures that are in accordance with generally accepted accounting principles and conform to procedures prescribed by the state controller for counties and for special districts.
- e) The district must comply with all county policies as they apply to special districts, specifically, those pertaining to budgeting, revenue apportionment, accounting, financial reporting, and auditing.
  - i. Any exceptions must be requested in writing by the district and approved by the auditor-controller.
  - ii. The auditor-controller will provide timely notices to the district of all changes in policies.

### 3. Budgeting

- a) For those special districts whose affairs and finances are under the supervision of the board of supervisors (Government Code section 29002), and those districts that desire to use the county budget tracking system, the district board should develop and submit its annual budget request to the county following specific instructions by the auditor-controller.
- b) Once the governing board approves the district budget, the auditor-controller records the final budget in the county budget system.
- c) For those special districts that are independent of the county and develop their budget independently, the district board should send a copy of its budget to the auditor-controller (Government Code section 53901).
- d) The district is responsible for monitoring its budget and ensuring that budgeted accounts are not overdrawn. The auditor-controller may cease processing claims against an overdrawn budget at the budget class level.
- e) Amendments to the district budget shall follow guidelines established by the auditor-controller.
- f) If the board of supervisors governs the district, the auditor-controller will annually compute and inform the district of the statutory limit on appropriations, also referred to as the GANN Limit.
- g) Auditor-controller staff is available to help explain budget requirements and policies.

### 4. Tax and Assessment Revenues

- a) The auditor-controller will place special assessments on the tax rolls when requested by the district in accordance with the annual instructions sent to all districts.
- b) The auditor-controller will allocate revenues from the property taxes and special assessments according to state laws and regulations and revenue sharing agreements. Revenues from secured tax rolls and special assessments will generally be disbursed according to this schedule:
  - 55% in December
  - 40% in April
  - Balance in June
- c) With regards to special assessments, the auditor-controller shall deduct from the amount of the special assessment an administrative fee based on the approved agreement related to the special assessment fee. Pursuant to Government Code 29304,

all special districts that levy special assessments for collection by the county shall enter into a written agreement with the county that confirms this arrangement.

- d) With regards to property tax administration, the auditor-controller charges the district a property tax administration fee, based on actual costs, to be deducted from the district's allocated share of taxes, as allowed by Revenue and Taxation code section 95.36(a).

## 5. Collection Services

- a) At the request of the district, the county will provide collection services for delinquent charges and fees, as allowable by law, so long as those collections pertain to secured property. i.e. Water and sewer charges.
- b) Fees for such collection are negotiated between the district and the county and will be assessed based on that agreement.

## 6. Cash Management and Reserves

- a) The district is responsible for monitoring its cash balances and cash flows and must maintain a positive balance for the total of all district's cash funds in the county treasury. If cash balances draw near zero, the auditor-controller will cease processing claims for district (except for cases of emergency or public safety reasons) to prevent cash from being overdrawn, unless prior arrangements have been made to mitigate the overdraft (i.e. Teeter loans).
- b) The district board is responsible for establishing the necessary reserves to provide for contingencies and emergencies, as well as for large and probable expenditures. A general reserve is normally established and maintained to cover unpredictable emergency expenditures. It can be drawn from only during the annual budget process or when there is a publicly declared emergency.
- c) The district board should consider setting the general reserve at a sufficient level to ensure adequate liquidity during dry periods.

## 7. Accounting

### a) *Transaction Processing*

- i. District staff reviews source documents (invoices, check remittances, etc.) and assigns correct account codes before sending them on to the auditor-controller department for further processing.

- ii. Appendix A is a chart of accounts that complies with the state controller's requirements. District staff should use these accounts to code transactions.
- iii. The auditor-controller processes the following transactions for the district:
  - 1. Payment of claims from external vendors including purchases of services and supplies, fixed assets, and debt payments.
  - 2. Recording of journal entries and internal billings (chargebacks)
  - 3. Recording of credit memos (accounts payable)
  - 4. Recording of electronic transfers
  - 5. Recording of annual budget
  - 6. Recording of budget adjustments and amendments
  - 7. Recording of deposits into county treasury

*b. Approval of Expenditures*

- i. The district must complete and submit an annual signature authorization form for designated persons who are authorized to approve expenditures on behalf of the district board.
- ii. The auditor-controller will process only expenditures that have been properly approved by the district.

*c. Accounting Records and General Ledger*

- i. The auditor-controller maintains funds, budget units, cost centers, programs and accounts as necessary for the district to conduct its financial affairs in accordance with generally accepted accounting principles and with the state controller's guidelines.
- ii. The auditor-controller does not maintain a fixed asset schedule for the district. The district should maintain a detailed inventory of fixed assets.
- iii. The auditor-controller sets up and maintains a file for each vendor utilized by the district based on the completed Form W-9 received from the district. The county retains the original Form W-9 on file. No vendor can be paid unless the W-9 is on file. Should a vendor have no activity for 18 months, a NEW W-9 will be required.
- iv. The district is responsible for reporting sales tax and use tax due to the State of California that is not included on vendor invoices. The auditor-controller will report and pay sales and use tax on behalf of the district from district funds. If the district fails to report such taxes to the auditor-controller and as a result the county is required to pay taxes and

penalties to the state, the district will be required to reimburse the county for such payments.

- v. The auditor-controller files all statutory reports concerning district financial transactions to the Internal Revenue Service and to other state agencies.
- vi. The district should retain all source documents in its possession relating to financial transactions including board actions for a minimum of five years.
- vii. The county provides storage for district financial records and other statutory records that are in the possession of the auditor-controller, in accordance with the state controller's guidelines.

## 8. Financial Reporting

- a) The auditor-controller provides the following monthly reports or equivalents to the district:
  - i. Budget to Actual – Account Summary
  - ii. Fund Balance Sheet
  - iii. General Ledger Transaction report
- b) The auditor-controller prepares and submits the annual report of financial transactions to the state controller (Government Code section 53891) from the transactions recorded in the county general ledger, unless prior arrangements have been made for the district to prepare and submit this report.
  - i. In order to have the Auditor-Controller prepare and file the District State Controller Financial Reporting, the district MUST supply the county auditor-controller with the district GANN Limit.
  - ii. The district must notify the auditor-controller no later than August 1 of each year if the district is going to prepare the reporting themselves. Otherwise, it is assumed the auditor-controller is.
  - iii. The district is responsible for the Compensation Report to the State Controller.

## 9. Payroll

- a) The auditor-controller does not process payroll for any districts.
- b) The districts will contract with outside firms to prepare payroll and submit necessary documents to the Federal and State agencies.
- c) The district will submit net payroll information to the auditor-controller if payment will be made from the county treasury.

- d) The district will submit gross payroll information to the auditor-controller if payment will be made from a district payroll revolving account.

## 10. Auditing

- a) The district board is responsible for ensuring proper accountability including causing the accounts of the district to be audited annually by a certified public accountant in accordance with generally accepted auditing standards and state controller requirements (Government Code 26909). The district should notify the auditor-controller how it plans to fulfill the audit requirement each year.
- b) The district should file the audit report to the state controller and the county auditor-controller within 12 months of the end of the fiscal year under examination.
- c) If the district board does not undertake the audit responsibility, the auditor-controller will conduct or contract for an audit or perform other assurance procedures to comply with the law and charge all costs to the district accounts.

## 11. Cost and Billing

- a) Generally, the auditor-controller provides free of charge to the district those services that are provided to county departments.
- b) The law provides that the county can bill certain services to the district. In these cases, the auditor-controller will provide estimates to the district in advance of service.
- c) The auditor-controller will bill or charge the district accounts at completion of services.

## 12. Additional Services

- a) The district can request additional services in writing with reasonable advance notice to the auditor-controller. The auditor-controller will provide an estimated cost to the district. Costs are calculated at the current hourly rates including overhead plus any third-party charges.
- b) Specialized or major additional services are provided only through contractual agreements between the county board of supervisors and the district board.
- c) The auditor-controller will not begin providing services until the district board approves the cost estimate and contractual agreement.

## 13. Useful Information

District board and staff may find other useful information as follows:

- a) *California Codes of Regulations*



Title 2 – Administration

Division 2 – Financial Operations

Chapter 2 – State Controller

Subchapter 3 – Accounting Procedures for Special Districts

Subchapter 4 – Budgeting Procedures for Special Districts

Subchapter 5 – Minimum Audit Requirements and Reporting Guidelines  
for Special Districts

These regulations can be found at the website of the State Office of Administrative Law:

<http://ccr.oal.ca.gov>

*b) Official California Legislative Information*

This is a website maintained by the Legislative Counsel of California that provides useful information on California laws and legislative bills and processes. Appendix B includes the test of codes sections pertinent to financial operations of special districts.

<http://www.leginfo.ca.gov>

*c) California Special Districts Association*

The California Special Districts Association (CSDA) is a 501c(6), not for profit association that was formed in 1969 to ensure the continued existence of local, independent special districts. It has about 700 special district members.

CSDA provides education and training, insurance programs, legal advice, industry-wide litigation and public relations support, legislative advocacy, capital improvement and equipment funding, collateral design services and current information that is useful to special district management.

CSDA  
1112 I Street, Suite 200  
Sacramento, CA 95814  
916-442-7887  
[www.csda.net](http://www.csda.net)

## 14. Useful Contacts

a) Board of Supervisors

District 1: Cliff Edson	(209) 612-8938	<a href="mailto:cedson@co.calaveras.ca.us">cedson@co.calaveras.ca.us</a>
District 2: Chris Wright	(209) 304-3729	<a href="mailto:cwright@co.calaveras.ca.us">cwright@co.calaveras.ca.us</a>
District 3: Michael Oliveira	(209) 754-6308	<a href="mailto:moliveira@co.calaveras.ca.us">moliveira@co.calaveras.ca.us</a>
District 4: Debbie Ponte	(209) 754-6309	<a href="mailto:dponte@co.calaveras.ca.us">dponte@co.calaveras.ca.us</a>
District 5: Steve Kearney	(209) 754-6310	<a href="mailto:swkearney@co.calaveras.ca.us">swkearney@co.calaveras.ca.us</a>

Board of Supervisors  
891 Mountain Ranch Road  
San Andreas, CA 95249  
<http://calaverasgov.us>

b) County Administrative Office

Shirley Ryan  
891 Mountain Ranch Road  
San Andreas, CA 95249  
(209) 754-6025

c) County Counsel

Megan Stedtfeld  
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d) Auditor-Controller

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## 15. Appendices

- a) Appendix A – Chart of Accounts for Special Districts
- b) Appendix B – Codes of law Pertaining to Special District Financial Operations

**Government Code**

- Section 26909: annual audit
- Section 29002: annual budget
- Section 29304: special assessment fee
- Section 53891: annual financial report
- Section 53901: filing of budget

**Revenue and Taxation Code**

- Section 95.3: property tax administration fee