

COUNTY OF YOLO

**SPECIAL DISTRICT
FINANCIAL HANDBOOK**



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County of Yolo
Special District Financial Handbook

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1. Preface

The purpose of this manual is to provide financial management guidelines to boards and staff of special districts within Yolo County.

This manual will be updated as needed and is also available online at <http://www.yolocounty.org/org/auditor/financials.htm>

2. Conformance to Codes and Policies

Special districts are legally constituted governmental entities that are neither cities, counties, successor agencies (formerly 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.

- i. 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-Controller and Treasurer-Tax Collector (County Auditor) is the ex-officio fiscal officer.
- ii. The County Auditor is statutorily the ex-officio fiscal officer of all districts whose funds are on deposit with the County Treasury. The County Auditor is charged by law with prescribing and exercising general supervision over the accounting forms and the method of keeping accounts for the County and all special districts governed by the Yolo County Board of Supervisors or for which he/she is the ex-officio fiscal officer.
- iii. District funds on deposit with the County Treasury 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.
- iv. 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.
- v. Districts must comply with all county policies as they apply to special districts, specifically, those pertaining to budgeting, revenue apportionment, accounting, financial reporting and auditing.

Any exceptions must be requested in writing by the district and approved by the County Auditor.

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The County Auditor will provide timely notices to the district of all changes in policies.

3. Budgeting

- i. For those special districts whose affairs and finances are under the supervision of the Yolo County Board of Supervisors (Government Code section 29002), and those districts that desire to use the County's budget tracking system, the district board must develop and submit its annual budget request following specific instructions by the County Auditor.
- ii. After the original district budget is adopted by the district board and submitted to the County Auditor the budget will be entered in the County's financial system.
- iii. All other special districts, including those that are independent of the County, shall file a copy of its budget with the County Auditor pursuant to Government Code section 53901.
- iv. Each district is responsible for monitoring its budget and ensuring that adopted appropriations are not exceeded at the object level. The County Auditor may cease processing claims against an overdrawn budget at the object level.
- v. Amendments to the district budget shall follow guidelines established by the County Auditor.
- vi. If the Yolo County Board of Supervisors governs the district, the County Auditor will annually compute and inform the district of the statutory limit on appropriations, also referred to as the Gann Limit.
- vii. County Auditor staff is available to help explain budget requirements and policies.

4. Tax and Assessment Revenues

- i. The County Auditor will allocate revenues from property taxes and special assessments according to State laws and regulations and revenue sharing agreements. Revenues from the secured tax rolls and special assessments will generally be disbursed according to this schedule:
 - 50% of the annual allocation in early January
 - 45% of the annual allocation in early May
 - Balance of allocated revenues in early August

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- ii. The County Auditor will place special assessments on the tax rolls when requested by a district in accordance with annual instructions sent to all districts. However, for tax-exempt parcels billing and collection of special assessments are the direct responsibilities of the district.
- iii. With regard to special assessments, the County Auditor shall add to the amount of the special assessment an administrative fee of \$1.00 per parcel. This amount will be collected with each installment of such special assessment, deducted from the overall amount collected, and paid into the County general fund. Pursuant to government code section 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.
- iv. With regard to property tax administration, the County Auditor charges each 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 95.3(a).

5. Collection Services

- i. At the request of the district, the County will consider entering into an agreement to provide collection services for delinquent charges and fees. The County will use routine collection tools such as mailing statements, sending dunning messages, making telephone calls, skip tracing or enforcement tools such as small claims action, wage garnishment, bank seizure and state intercept programs.
- ii. Fees for such collection services are negotiated between the district and the County and are typically 25% of the amount collected.

6. Treasury Services

- i. As the County's banking depository, the County Auditor provides pooled treasury services to the County, schools and special districts. These services include receiving and depositing cash receipts with the County's banking institution; paying warrants issued by the County, schools and special districts; and managing and investing funds. The County Treasury also has the capacity to pay and receive funds electronically by utilizing Automated Clearing House (ACH) and wire services within our current banking relationship.
- ii. The County Treasury maintains separate cash accounts for each entity to account for the entities' individual transactions. The balance of these accounts represent each entity's share of the treasury pool. The aggregate cash is pooled and invested for the benefit of all depositors. Each quarter, treasury staff prepares an

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interest apportionment to allocate the net investment earnings of the treasury pool. The amount apportioned to each cash account is based upon the proportionate share of the average daily balance of each cash account in relation to the total average daily cash balance of all cash accounts. Investment earnings include actual interest earnings and the change in fair market value of the underlying pooled investments. The costs of providing treasury and investment services are deducted from the computed investment earnings to arrive at the net amount apportioned.

7. Cash Management and Reserves

- i. Each 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 County Auditor may cease processing claims for the 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.
- ii. Each 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 unforeseen emergency expenditures. It can be drawn from only during the annual budget process or when there is a publicly declared emergency.
- iii. The district board should consider setting the general reserve at a sufficient level to ensure adequate liquidity during dry periods.

8. General Accounting Services

- i. Transaction Processing
EIN. Each district should have their own Employer Identification Number (EIN) issued by the Internal Revenue Service (IRS) to use when applying for grants and debt. This can be done online (<http://www.irs.gov>) or by filing Form SS-4 Application for Employer Identification Number. The form can be found on the IRS website.

Signature authorization form. The district must complete and submit an annual signature authorization form for designating staff who are authorized to approve transactions on behalf of the district board at the beginning of each fiscal year and for changes during the fiscal year. Only properly approved transactions will be processed.

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District staff is responsible for reviewing and attaching source documents (invoices, check remittances, etc.) and assigning proper account codes for all transactions before submitting them to the County Auditor for further processing.

The County Auditor processes the following transactions for the district:

Payment of claims from external vendors including purchases of services and supplies, fixed assets and debt payments.

- a. Journal entries and internal billings.
- b. Credit memos (for NSF returned checks).
- c. Electronic transfers.
- d. Annual budget.
- e. Budget amendments.
- f. Capital asset capitalization.
- g. Deposits to the County Treasury.

ii. Accounting Records and Financial System

- a. The County's financial system 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.
- b. It is recommended that districts request access to the system for inquiry, transaction processing and reporting. Access will enable districts to generate reports at anytime and increase transaction processing efficiencies. Request for access must be in writing and include the completed special district Genled access form(s).

The County Auditor can maintain capital asset schedules, for districts, which comply with the County's capitalization requirements for financial reporting purposes. The district should maintain a more detailed inventory of capital assets, especially for those under the capitalization threshold, for control and insurance purposes.

The County's financial system 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.

The district should retain copies all source documents in its possession relating to financial transactions including board actions (e.g. minutes to board meetings) for a minimum of five years or as required by other regulatory agencies.

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The county provides storage for district financial records and other statutory records that are in the possession of the County Auditor, in accordance with State Controller's guidelines.

iii. Sales and Use Tax

The district is responsible for paying sales and use tax due the State of California Board of Equalization (BOE). Amounts due which are attributable to district transactions as a result of state audits are a responsibility of the district.

- a. **Sales Tax.** California's sales tax generally applies to the sale of merchandise, including vehicles, in the state. If a district's activities includes the sale of merchandise it is the responsibility of the district to obtain a seller's permit from the BOE (www.boe.ca.gov) and report and remit the collection of sales tax quarterly.
- b. **Use Tax.** California's use tax applies to the use, storage or other consumption of merchandise, including vehicles in the state. Use tax also applies when a districts makes similar purchases without tax from a business located outside the state. For these purchases the County will calculate the tax, charge the district, and remit the tax under the County's seller's permit.

iv. Financial Reporting

- a. The County Auditor provides the following monthly reports to the districts:
 - i. Trial Balance
 - ii. General Ledger
 - iii. Appropriations Ledger
 - iv. Revenue Ledger

It is the responsibility of district management to review all posted transactions to ensure that all transactions posted each month are accurate and complete.

- b. Government Code Section 53891 requires districts to submit the Special District Financial Transactions Report to the State Controller's Office within 90 days after the close of each fiscal year. By agreement and for a fee, the County Auditor may prepare and submit this report on behalf of the district.
- c. The County Auditor also files the following statutory reports for district financial transactions processed by County Auditor staff:

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- i. Internal Revenue Service - Form 1099-MISC annually.
- ii. State of California, Board of Equalization - Independent Contractor(s) DE542 monthly.
- iii. State of California, Board of Equalization - Sales and Use Taxes return (purchases) quarterly.

9. Auditing

- i. 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 section 26909). A different audit cycle is permissible under the code and must be approved by the Yolo County Board of Supervisors. The district should notify the County Auditor how it plans to fulfill the audit requirement.
- ii. The district shall file the audit report with the State Controller and the County Auditor within 12 months of the end of the fiscal year under examination.
- iii. If the district board does not undertake the audit responsibility, the County Auditor 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.
- iv. It is the district's responsibility to establish a system of internal controls to safeguard assets and prevent and detect financial error and fraud. Such internal controls must meet the guidelines posted by the State Controller (GC 12422.5).

10. Additional Services

- i. The district can request additional services in writing with reasonable advance notice to the County Auditor. The County Auditor will provide an estimated cost to the district. Costs are calculated at the current hourly rates including overhead, plus any third-party charges.
- ii. Specialized or major additional services are provided only through contractual agreements between the Yolo County Board of Supervisors and the district board.
- iii. The County Auditor will not begin providing services until the district board approves the cost estimate and contractual agreement.

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11. Useful Links

County of Yolo	www.yolocounty.org
California Codes of Regulations	http://ccr.oal.ca.gov
Official California Legislative Information	http://leginfo.legislature.ca.gov
California Special Districts Association	www.csd.net
California State Board of Equalization	www.boa.ca.gov
Internal Revenue Service	www.irs.gov

12. Contact Information

Auditor-Controller and Treasurer-Tax Collector

625 Court Street, Room 103
Woodland, California 95695

Open to the Public 8am to 4pm, Monday through Friday (Holidays excluded)

Auditor-Controller Division

PO Box 1268
Woodland, CA 95776
Phone: (530) 666-8190
FAX: (530) 666-8215
e-mail: auditor@yolocounty.org

Treasurer-Tax Collector Division

PO Box 1995
Woodland, CA 95776
Phone: (530) 666-8625
FAX: (530) 666-8708
e-mail taxinfo@yolocounty.org

Yolo County Collection Services

PO Box 1350
Woodland, CA 95776
Phone: (530) 666-8668
(916) 375-6478
FAX: (530) 666-8669
e-mail: yccs@yolocounty.org