

## Assembly Bill No. 788

### CHAPTER 246

An act to amend Section 26909 of the Government Code, and to add Section 50660 to the Water Code, relating to local government finance.

[Approved by Governor August 8, 1997. Filed with  
Secretary of State August 8, 1997.]

#### LEGISLATIVE COUNSEL'S DIGEST

AB 788, Thomson. Local government finance: county audits for special districts: reclamation districts.

(1) Under existing law, a county auditor shall either make or contract with an accountant to make an annual audit of the accounts and records of every special purpose district within the county for which an audit is not otherwise provided, under specified conditions. Existing law further authorizes a special district to replace the annual special audit with a biennial audit covering a 2-year period, or with an audit covering a 5-year period under certain circumstances. Existing law exempts a special district from the requirement of an annual audit if the financial statements are audited by the Controller to satisfy federal audit requirements.

This bill would authorize a board of supervisors to replace a special district audit with a financial review, in accordance with specified federal definitions, of a special district under certain circumstances.

(2) Under the existing Reclamation District Act, the board of trustees is the governing body of a water reclamation district. The board is required to elect one of its members as its president, and one of its members, or any other person, as its secretary. Under existing law, the treasurer or treasury of the county in which the whole or the greater portion of the land of a district is situated have a variety of district functions relating to bonds, warrants, property sale, and other fiscal matters.

This bill would designate the county treasurer as ex officio treasurer of the district unless the board, by resolution, and with the written consent of the county treasurer, appoints a district treasurer. The bill would set forth the procedures to be followed if the resolution to appoint a district treasurer is adopted. This bill would create a state-mandated local program, by imposing new duties on county treasurers.

(3) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement, including the creation of a State Mandates Claims

Fund to pay the costs of mandates that do not exceed \$1,000,000 statewide and other procedures for claims whose statewide costs exceed \$1,000,000.

This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to these statutory provisions.

*The people of the State of California do enact as follows:*

SECTION 1. Section 26909 of the Government Code is amended to read:

26909. (a) The county auditor shall either make or contract with a certified public accountant or public accountant to make an annual audit of the accounts and records of every special purpose district within the county for which an audit by a certified public accountant or public accountant is not otherwise provided. In each case, the minimum requirements of the audit shall be prescribed by the Controller and shall conform to generally accepted auditing standards.

(b) Where an audit of a district's accounts and records is made by a certified public accountant or public accountant, the minimum requirements of the audit shall be prescribed by the Controller and shall conform to generally accepted auditing standards, and a report thereof shall be filed with the Controller and with the county auditor of the county in which the district is located. The report shall be filed within 12 months of the end of the fiscal year or years under examination.

(c) Any costs incurred by the county auditor, including contracts with, or employment of, certified public accountants or public accountants, in making an audit of every special purpose district pursuant to this section shall be borne by the district and shall be a charge against any unencumbered funds of the district available for the purpose.

(d) For joint districts lying within two or more counties, the above provisions shall apply to the auditor of the county in which the treasury is located.

(e) The county controller, or ex officio county controller, shall effect this section in those counties having a county controller, or ex officio county controller.

(f) A special district may, by unanimous request of the governing board of the special district, with unanimous approval of the board of supervisors, replace the annual audit with a biennial audit covering a two-year period or, if the district's annual budget does not exceed an amount specified by the board of supervisors, an audit covering a five-year period.



Notwithstanding the foregoing provisions of this section to the contrary, districts shall be exempt from the requirement of an annual audit if the financial statements are audited by the Controller to satisfy federal audit requirements.

(g) A board of supervisors may substitute a financial review in accordance with definitions promulgated by the United States General Accounting Office for the audit of a special district as required by this section, provided that all of the following conditions are met:

- (1) The board of supervisors is the governing board of the district.
- (2) The special districts revenues and expenditures are transacted through the county's financial systems.
- (3) The special district's annual revenues do not exceed one hundred thousand dollars (\$100,000).

SEC. 2. Section 50660 is added to the Water Code, to read:

50660. The county treasurer shall be deemed the ex officio treasurer of the district unless the board, by resolution, and with the written consent of the county treasurer, appoints a district treasurer. If the resolution is adopted and a district treasurer is appointed, all references to a county treasurer or county treasury within this division shall be deemed to apply to the treasurer appointed by the board and the treasury of the district, and no further consent of the county treasurer will be required. The person so appointed shall file a bond with the board in the manner prescribed in Section 50659.

SEC. 3. Notwithstanding Section 17610 of the Government Code, if the Commission on State Mandates determines that this act contains costs mandated by the state, reimbursement to local agencies and school districts for those costs shall be made pursuant to Part 7 (commencing with Section 17500) of Division 4 of Title 2 of the Government Code. If the statewide cost of the claim for reimbursement does not exceed one million dollars (\$1,000,000), reimbursement shall be made from the State Mandates Claims Fund.

Notwithstanding Section 17580 of the Government Code, unless otherwise specified, the provisions of this act shall become operative on the same date that the act takes effect pursuant to the California Constitution.

