



Monterey County

Board of Supervisors
168 W. Alisal St., 1st Floor
Salinas, CA 93901

Board Report

Legistar File Number: 19-0426

August 27, 2019

Introduced: 5/29/2019

Current Status: Agenda Ready

Version: 1

Matter Type: General Agenda Item

- a. Approve a request from the San Lucas Cemetery District ("SLCD") for an exemption to the annual audit requirement pursuant to Government Code section 26909 (unanimous vote required); and
- b. Authorize preparation of a Five-Year Audit of the SLCD covering the five-year period ending June 30, 2020, and every five-year period ending June 30th thereafter (unanimous vote required).

RECOMMENDATION:

- a. Approve a request from the San Lucas Cemetery District ("SLCD") for an exemption to the annual audit requirement pursuant to Government Code section 26909 (unanimous vote required); and
- b. Authorize preparation of a Five-Year Audit of the SLCD covering the five-year period ending June 30, 2020, and every five-year period ending June 30th thereafter (unanimous vote required).

SUMMARY/DISCUSSION:

Government Code Section 26909(a) requires the county auditor to 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 district. Section 26909(a) also provides that any cost incurred by the county auditor associated with conducting such audits shall be borne by the special districts.

Section 26909(b) allows a special district, by unanimous request of the governing board of the special district and with unanimous approval of the board of supervisors, to replace the annual audit requirement with one of the following:

- A biennial audit covering a two-year period.
- An audit covering a five-year period if the special district's annual revenues do not exceed amounts specified by the Board of Supervisors
- An audit conducted at specific intervals, as recommended by the county auditor, that shall be completed at least once every five years.

In February 2010 the Board of Supervisors approved and authorized the SLCD board's unanimous request to replace the annual audit requirement with a biennial audit. (See Attachment A.) For the biennial period ending June 30, 2010 until the biennial period ending June 30, 2015, the audits of the SLCD were conducted every two years. No audits have been conducted since. In February 2019, the Auditor Controller's Office ("ACO") received a unanimous request of the SLCD Board, asking for Board of Supervisor approval to conduct the SLCD's audits in five-year intervals beginning with the five-year period ending June 30, 2020 and forward due to low operational activity and increased audit fees. (Attachments B, C.) In a letter dated February 19, 2019, Hayashi Wayland, which prepared the SLCD's most recent audits, notified the SLCD board that minimum audit fees will be increasing to \$12,500 per year and will vary depending on the SLCD's needs. (Attachment D.)

The ACO reviewed the SLCD's most recently audited financial statement noting that Total Revenues for fiscal years 2013 through 2015 averaged \$14,236, per year, while Total Expenses averaged \$26,287, resulting in sustained deficits in the special districts net position. Audit related fees/expenses, for that same period were \$9,078, \$8,750, and \$1,500 respectively. Increased audit fees of \$12,500 biennially, will only further impact deficits in the SLCD's net position.

The SLCD is located in San Lucas, California, a rural community with a small population. It is unlikely that revenues will increase in the near-term, or long-term, to offset the cost of operating the special district.

OTHER AGENCY INVOLVEMENT:

The County Auditor-Controller supports this proposal.

FINANCING:

There would be no impact to the County general fund as a result of this action.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

Not Applicable.

Prepared by: Harvey Howells, Chief Deputy Auditor-Controller, Internal Audit

Approved by: Rupa Shah, Auditor-Controller, 755-5040

Attachments:

Board Report

Attachment A - 2010 Board Report and Board of Supervisors Order

Attachment B - District Letter of Request

Attachment C - District Board Approval

Attachment D - Audit Fee Increase Letter