

483

**SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**



FROM: Executive Office

SUBMITTAL DATE:
August 4, 2005

SUBJECT: Approving Legislation Requiring County Auditors to Adhere to State Accounting Standards and Clarifying Handling of Supplemental Property Taxes in a Teeter Program

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file the attached letter from the State Controller's Office (Attachment A); and,
2. Approve in concept language in Attachment B amending Revenue and Taxation Code §§4701 et seq.

BACKGROUND: On July 12, 2005, the Board of Supervisors requested the Executive Office to work with the state legislature on passage of legislation requiring county auditors to adhere to state accounting standards and prohibit inclusion of supplemental property taxes in Teeter Programs. In exploring the issue of accounting standards, the Executive Office discussed the matter with the State Controller's Office. They indicated substantial statutory and regulatory authority already supports the standards and practices issued by their office. The attached letter from the State Controller affirms this position (see Attachments A and A.1). The proposed amendments to the Revenue and Taxation Code §4701, attached, amplify this.

The insertion of the proposed language following §4708 will remedy the problem pertaining to supplemental property taxes without creating a general prohibition against including supplemental property taxes in Teeter programs that might adversely impact other counties unnecessarily.

Denise C. Harden
Denise C. Harden
Principal Management Analyst

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|-----------------------|-------------------------------|-------|-------------------------|----|
| FINANCIAL DATA | Current F.Y. Total Cost: | \$ NA | In Current Year Budget: | NA |
| | Current F.Y. Net County Cost: | \$ NA | Budget Adjustment: | NA |
| | Annual Net County Cost: | \$ NA | For Fiscal Year: | NA |

| | | |
|-------------------------|----------------------------------|--------------------------|
| SOURCE OF FUNDS: | Positions To Be Deleted Per A-30 | <input type="checkbox"/> |
| | Requires 4/5 Vote | <input type="checkbox"/> |

C.E.O. RECOMMENDATION: APPROVE.

County Executive Office Signature

Bill Turner

- Policy
- Policy
- Consent
- Consent

Dep't Recomm.:
Per Exec. Ofc.:

Prev. Agn. Ref.: 06/28/05 #3.65
07/12/05 #3.95

District:

Agenda Number:

3.9

FORM APPROVED COUNTY COUNSEL

Departmental Concurrence

AUG 3 - 2005
BY: [Signature]



STEVE WESTLY
California State Controller
 August 5, 2005

Denise C. Harden
 Principal Management Analyst
 County of Riverside
 4080 Lemon Street, 4th Floor
 Riverside, CA 92501

Dear Ms. Harden:

This letter serves to respond to your question regarding the authoritative status of the California State Controller's *Accounting Standards and Procedures Manual for Counties* (Manual). We hope this helps clarify the intent and guidance provided by this document.

California Government Code section 30200 requires the State Controller to prescribe uniform accounting procedures for counties. The Controller complies with this law by providing and updating the Manual. The Manual serves two primary purposes: 1) to ensure conformance to generally accepted accounting principles (GAAP); and 2) to facilitate statewide comparison and analysis of county financial reports by minimizing the differences between accounting standards, procedures, and terminology used by counties.

The Manual is instructional in nature and is intended to aid counties in implementing GAAP (as modified by the Governmental Accounting Standards Board), as well as California laws and regulations that may require specialized accounting procedures. Its contents are based on various legal requirements and nationally recognized accounting and reporting standards for governments.

The Manual is also regulatory in nature. In 1964, the Manual was adopted in the California Code of Regulations (formerly California Administrative Code). These regulations contain the framework of the Manual and other accounting systems prescribed by the Controller. The more illustrative information is contained in the Manual itself.

Based upon the information provided, it does not appear an amendment to the Teeter Plan (Revenue and Taxation Code section 4701 et. al) is necessary for a specific county. We encourage Riverside County to review its alternate method of tax apportionment procedures (Teeter Plan) with other counties.

Please do not hesitate to contact us if we can be of further assistance.

Vincent P. Brown
 Chief Operating Officer

cc: Alan Fernandes, Neilsen Merksamer

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WAIS Document Retrieval CALIFORNIA CODES
GOVERNMENT CODE
SECTION 30200-30201

30200. Under this division, the Controller shall prescribe for counties uniform accounting procedures conforming to generally accepted accounting principles. The procedures shall be adopted under the provisions of Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 and shall be published in the California Administrative Code either in their entirety or by reference. The Controller shall prescribe such procedures after consultation with and approval by the Committee on County Accounting Procedures. Approval of such procedures shall be by a majority vote of the members of the committee. The vote may be conducted by mail at the discretion of the chairperson of the committee, provided however, that should one or more members of the committee request a meeting for the purpose of voting the chairperson shall call a meeting of the committee as provided in Section 30201.

30201. The Committee on County Accounting Procedures shall consist of 10 members appointed by the State Controller, to serve at the pleasure of the Controller. Five of the members shall be county auditors, three shall be county administrative officers, and two shall be members of a county board of supervisors. The members of the committee shall serve without compensation but shall be reimbursed for their necessary traveling and other expenses incurred in attending meetings of the committee. Such expenses shall be paid by the county of which the member is an officer. The State Controller shall designate a member of the committee to serve as chairman. The committee shall meet at the call of the chairman and each member shall be given written notice of any meeting at least 10 days prior to the date of the meeting.

CALIFORNIA CODES
REVENUE AND TAXATION CODE
SECTION 4701-4717

4701. (a) The Legislature hereby finds and declares that it is the purpose of this chapter to provide an alternative procedure for the distribution of property tax levies on the secured roll made by counties on their own behalf or as the tax-levying and tax-collecting agency for other political subdivisions. The Legislature further finds and declares that the object of this alternative procedure is to simplify the tax-levying and tax-apportioning process and to increase flexibility in the use of available cash resources.

(b) For purposes of this chapter only, the term "secured roll" may include the supplemental property tax roll as described in Chapter 3.5 (commencing with Section 75) of Part 0.5 of Division 1.

(c) For the purposes of this chapter, the auditor and the treasurer shall keep the necessary accounts pertaining to this chapter on a full-accrual basis, rather than on a modified accrual or cash basis. The auditor shall adhere to the generally accepted accounting procedures specified in the state controller's accounting standards and procedures for counties, particularly with respect to the alternative method of tax apportionment.

4702. (a) The procedure authorized by this chapter may be placed in effect in any county by resolution of the board of supervisors of that county adopted not later than July 15th of the fiscal year for which it is to first apply and shall thereafter remain in effect unless the board orders its discontinuance or unless, prior to the commencement of any subsequent fiscal year, the board receives a petition for its discontinuance joined in by resolutions duly adopted by the governing boards of not less than two-thirds of the participating revenue districts in the county, in which event the board shall order discontinuance of the procedure effective at the commencement of the subsequent fiscal year.

(b) Notwithstanding subdivision (a), for the 1993-94 and 1994-95 fiscal years only, the procedure authorized by this chapter may be placed in effect in any county by resolution of the board of supervisors of that county adopted not later than October 15 of the relevant fiscal year, and shall remain in effect unless otherwise discontinued in accordance with the provisions of this chapter.

4702.5. In any county electing to follow the procedure authorized by this chapter the board of supervisors by resolution as specified in Section 4702 may extend, or discontinue, these procedures to assessments that are entered on the secured tax roll for the current year.

Upon adoption, assessments shall be apportioned in the same manner that taxes are apportioned under this chapter.

4702.7. In any county electing to follow the procedure authorized by this chapter, the board of supervisors, by resolution adopted in accordance with Section 4702, after holding a public hearing on the matter, may discontinue those procedures with respect to any tax levying agency or assessment levying agency in the county if the rate

of secured tax delinquency in that agency in any year exceeds 3 percent of the total of all taxes and assessments levied on the secured rolls in that agency.

4703. In each county that elects to adopt the procedure authorized by this chapter there is hereby created a tax losses reserve fund.

(a) The tax losses reserve fund shall be used exclusively, as hereinafter provided, to cover losses that may occur in the amount of tax liens as a result of special sales of tax-defaulted property. Whenever in any year the amount of the tax losses reserve fund has reached an amount equivalent to 1 percent of the total of all taxes and assessments levied on the secured roll for that year for participating entities in the county, the amounts hereinafter authorized to be credited to that fund may, for the remainder of that year, be credited to the county general fund.

(b) The auditor and treasurer shall keep apportioned tax resources accounts in a manner that the balance of amounts apportioned to funds on ~~an~~ a full-accrual basis shall be known by both officers. In addition, the auditor shall keep secured taxes receivable accounts in a manner as to establish accountability for the amounts receivable on the secured tax rolls. Secured tax rolls, as used in this chapter, include delinquent rolls prescribed by Section 2627.

4703.2. (a) In any county electing to follow the procedure authorized by this chapter, the board of supervisors may, by October 31 of any fiscal year, on the recommendation of the county auditor, adopt a resolution electing to be governed by this section rather than the provisions of Section 4703. Upon adoption, a copy of this resolution shall be filed with the county auditor, the county treasurer, and the county tax collector. Except as otherwise provided in this subdivision, this election shall remain in effect each fiscal year unless the board of supervisors adopts another resolution by October 31 of a fiscal year electing to be governed instead by Section 4703. For the 1993-94 fiscal year only, the election to be governed by this section rather than Section 4703 may be made no later than January 15, 1994. For the 1994-95 fiscal year only, an election to be governed by this section rather than Section 4703 may be rescinded, upon the recommendation of the county auditor, by a resolution electing governance under Section 4703 that is adopted by the board of supervisors on any date during that fiscal year.

(b) In each county that elects to adopt the procedure authorized by this chapter and elects to be governed by this section rather than Section 4703 there shall be created a tax losses reserve fund.

(c) The tax losses reserve fund shall be used exclusively, as hereinafter provided, to cover losses that may occur in the amount of tax liens as a result of special sales of tax-defaulted property. In a county electing to be subject to this section rather than Section 4703, the tax losses reserve fund shall be maintained at not less than 25 percent of the total delinquent secured taxes and assessments for participating entities in the county as calculated at the end of the fiscal year. At the end of the fiscal year, amounts in the tax losses reserve fund that are in excess of 25 percent of the total delinquent secured taxes and assessments for participating entities in the county may be credited to the county general fund.

(d) The auditor and treasurer shall keep apportioned tax resources accounts in such a manner that the balance of amounts apportioned to

funds on an ~~an~~ full-accrual basis shall be known by both officers. In addition, the auditor shall keep secured taxes receivable accounts in such a manner as to establish accountability for the amounts receivable on the secured tax rolls. Secured tax rolls as used in this chapter include delinquent rolls prescribed by Section 2627.

4703.3. Notwithstanding any other provision of law, general, special, or local, if Orange County sells or assigns obligations arising out of delinquent assessments or taxes on the secured roll to a joint powers agency pursuant to Section 26220.5 of the Government Code, the Orange County Board of Supervisors may elect to transfer its tax losses reserve fund to the joint powers agency. The tax losses reserve fund shall be maintained by the joint powers agency according to Section 4703 or 4703.2, whichever is applicable, except that the tax losses reserve fund may both be used to cover losses that may occur in the amount of tax liens as a result of special sales of tax-defaulted property and, subject to agreements with bondholders, be pledged as a reserve for bonds issued by the joint powers agency to purchase the obligations arising out of delinquent assessments or taxes on the secured roll.

4704. In order to facilitate tax accounting in connection with the procedure authorized by this chapter each county which adopts the procedure shall enter tax-defaulted property on the rolls in the name of the assessee and extend taxes thereon in the name of the assessee. The amount so extended shall be used in the determination of the cost to redeem that property. If valuations of tax-defaulted property entered on the roll under the provisions of this section exceed 1 percent of the total, the valuations shall not be included by the county auditor in any statement of equalized assessed valuations which he or she may be required to make as the basis for the determination of a bond debt limitation.

4705. (a) Upon completion of the tax roll as prescribed by Section 2152, the county auditor shall determine the total amount of taxes actually extended thereon for each fund for which a tax levy has been included. The amount so determined for each fund shall forthwith be apportioned to the credit of those funds on the accounts of the county auditor and county treasurer and the total thereof shall be entered on the apportioned tax resources accounts of both officers.

(b) Assessments entered on the secured tax roll shall be apportioned in the same manner if the board of supervisors has extended these procedures to assessments under Section 4702.5.

(c) Upon completion of the tax roll the auditor shall record the total amount due on the secured taxes receivable accounts.

(d) The board of supervisors shall provide which moneys in the county treasury, including but not limited to those credited to the tax losses reserve, shall be available to be drawn on to the extent of the amount of uncollected taxes credited to each fund for which a tax levy has been included, and those moneys may thereafter be drawn against in an amount not to exceed the amount of uncollected taxes credited to each fund for which a tax levy has been included in the same manner as if the amount credited had been collected. To the extent that moneys are so expended for a fund in advance of receipt of tax revenue therefor, the tax revenue may not be expended upon receipt. Moneys in the amount credited to the tax losses reserve, as well as tax revenues actually received for funds to the extent

moneys have been expended therefor in advance of receipt, shall be available in the county treasury for payment for the same purposes and in the same amounts as the money advance was available prior to being advanced; provided however, that if the moneys so advanced were derived from the proceeds of the sale of bonds, including notes, certificates of participation, or other instruments evidencing indebtedness, authorized pursuant to subdivision (e) or otherwise permitted by law, or the investment of those amounts, then tax revenues actually received, including delinquent penalties, shall be used for the repayment of the bonds or the replenishment of any reserve fund for these bonds, or both.

(e) Any county that has elected to adopt the procedure authorized by this chapter is hereby authorized, in addition to any other financing permitted by law, to fund the procedure by the issuance of bonds payable from any delinquent taxes, assessments, and delinquent penalties in accordance with Chapter 6.6 (commencing with Section 54773) of Part 1 of Division 2 of Title 5 of the Government Code. Once the procedure authorized by this chapter is adopted, the obligation of the county to fund the procedure is an obligation imposed by law.

4706. Upon completion of the computation of delinquent penalties on unpaid first installments as prescribed by Section 2617 of this code the auditor shall record the additional amount due on the secured taxes receivable accounts. The auditor shall similarly record the accountability for delinquent penalties and costs computed and entered on unpaid second installments as prescribed by Section 2627 of this code.

4707. Should any tax or assessment which was apportioned at the time of levy be changed by correction, cancellation or refund authorized by Part 9 of Division 1 of this code, a pro rata adjustment for the amount of such change shall be made in each of the funds to which apportionment previously has been made. The total pro rata adjustments of amounts previously apportioned shall be entered on the apportioned tax resources accounts of the auditor and the treasurer. The total amount of the changes shall be entered on the secured taxes receivable accounts of the auditor.

4708. Amounts received on the secured tax roll for the current year shall be distributed on the accounts of the auditor and treasurer as follows:

(a) Any amounts levied but not apportioned to funds in the manner authorized by this chapter shall be distributed to the funds for which levied as prescribed in Chapter 1a of this part.

(b) Any amounts which were apportioned to funds at the time of the levy in the manner authorized by this chapter shall be distributed to the apportioned tax resources accounts.

(c) Amounts collected as costs shall be distributed to the county general fund.

(d) Amounts collected as delinquent penalties shall be distributed to the tax losses reserve fund.

The auditor shall record the total secured tax roll collections on his secured taxes receivable accounts.

4708.1 (a) In recording in their accounts prior year amounts received for the supplemental tax roll, the treasurer and the auditor shall

distinguish non-delinquent prior year amounts from delinquent prior year amounts.

(b) For the purposes of this chapter, non-delinquent prior year amounts received on the supplemental tax roll shall be distributed on the accounts of the auditor and treasurer as specified above in Section 4708 for current year amounts on the secured tax roll.

(c) For the purposes of this chapter, delinquent prior year amounts received on the supplemental tax roll shall be distributed on the accounts of the auditor and treasurer as specified below in Section 4710 for amounts received for redemption of tax-defaulted property.

4709. Upon completion of the delinquent roll as prescribed by Section 2627, the auditor shall verify the total thereof against his or her accounts. The auditor shall similarly verify against his or her accounts the total of the list of tax-defaulted property furnished him or her after the declaration date by the tax collector as prescribed by Section 3442.

The auditor shall adjust the secured taxes receivable accounts for the total amount of any adjustments on the secured tax rolls for delinquent penalties and costs which are no longer receivable as of the sale date under Section 4102.

4710. After apportionment to the state of the amounts prescribed by Section 4656.5, amounts received for the redemption of tax-defaulted property shall be distributed as follows:

(a) Any amounts levied but not apportioned to funds at the time of levy in the manner authorized by this chapter and any redemption penalties collected on those amounts shall be distributed to funds as prescribed in Chapter 1c (commencing with Section 4656), except that assessments not apportioned previously shall be distributed to the funds for which levied.

(b) Any amounts which were apportioned to funds at the time of the levy in the manner authorized by this chapter shall be distributed to the apportioned tax resources accounts. The pro rata of redemption penalties or interest collected on any amounts levied but not apportioned to funds at the time of levy shall be distributed to the respective funds and the balance of redemption penalties or interest together with delinquency penalties shall be apportioned to the tax losses reserve fund.

(c) Amounts collected as costs shall be distributed to a restricted county fund to be allocated only for the following purposes:

(1) Updating and improving information with respect to delinquent taxes.

(2) Redemption systems.

(3) Monthly settlements with the auditor pursuant to Section 4108.

(4) The collection of taxes by the tax collector.

The total amount collected on the secured tax roll shall be entered on the secured taxes receivable accounts.

4711. The proceeds of the sale of tax-defaulted property deposited in the delinquent tax sale trust fund shall be distributed as provided in Chapter 1.3 (commencing with Section 4671). However, the taxes and assessments which constitute the amounts required to redeem the tax-defaulted property shall, for the purposes of this chapter, be distributed as follows:

(a) The amount available for distribution shall be prorated on the

basis of those taxes and assessments between apportioned levies and unapportioned levies.

(b) The pro rata share for unapportioned levies shall be prorated between the amount of tax levies and the amount of assessment levies.

The pro rata share for unapportioned tax levies shall be distributed to funds on the basis prescribed in Chapter 1.3 (commencing with Section 4671). The pro rata share for unapportioned assessment levies shall be distributed to the assessment funds on the basis prescribed in subdivision (a) of Section 4710.

(c) The pro rata share for apportioned levies shall be distributed to the tax losses reserve fund.

The amount canceled by the sale shall be entered on the secured taxes receivable accounts. Any canceled amounts which were apportioned at the time of levy in the manner authorized by this chapter shall be entered on the apportioned tax resources accounts, and this cancellation shall be borne by the tax losses reserve fund.

4713. In any county electing to follow the procedure authorized by this chapter the tax collector and auditor, or either of them, upon approval of the county treasurer, may determine by analysis of the abstract of delinquencies the amounts included therein by the original tax and assessment levies for each fund, and, on the basis of such determination, the treasurer and auditor may forthwith enter the total tax levy on the apportioned tax resources accounts and apportion to each fund for which taxes were levied 95 percent of the fund amounts so determined. The remaining 5 percent of the tax amounts shall be apportioned to the tax losses reserve fund. These apportionments shall constitute a full liquidation of the share of each fund in the liens for delinquent taxes appearing on the abstract list and any amounts thereafter received through redemption or sale of the property shall be apportioned in the manner prescribed by Sections 4708, 4710, and 4711 for years in which the procedure authorized by this chapter has been in effect.

4713.5. In any county electing under both Sections 4702 and 4702.5 to follow the procedures authorized by this chapter the tax collector and auditor, or either of them, upon the approval of the county treasurer may apportion assessment levies in the same manner that Section 4713 provides for tax levies except that each fund for which assessments were levied shall be apportioned 100 percent of the assessment levies so determined. Such apportionments shall constitute a full liquidation of the share of each fund in the liens for delinquent assessments appearing on the abstract list and any amounts thereafter received through redemption, sale or rental of the property shall be apportioned in the manner prescribed by Sections 4708, 4710, 4711 and 4712 for years in which the procedure authorized by this chapter has been in effect.

4714. Taxing agencies for which the county levies and collects taxes but for which the county treasury is not the legal depository may be limited in their withdrawals from the county treasury to amounts proportionate with actual tax collections by the county within their taxing areas.

4715. This chapter shall have no application to tax levies made by counties on behalf of public districts for which the county treasury is not the legal depository unless agreed to by a resolution of the

governing board of the public district and the board of supervisors of the county, adopted in accordance with Section 4702 for the fiscal year in which this procedure is to apply to that public district.

4716. There shall, notwithstanding any other provision of this chapter, be distributed to each fund not less than the amount which must under the Constitution be distributed thereto.

4717. If a tax payment which is insufficient to cover the amount of taxes due and payable is received by the tax collector of a county that has elected to follow the procedure authorized by this chapter, the tax collector shall place the tax payment in a trust fund and immediately notify the taxpayer of the deficiency.

In the case of a deficiency in the payment of secured taxes, the taxpayer may pay the balance due until the date on which the property becomes tax defaulted by operation of law. If payment of the balance due is not received on or before that date, the insufficient payment shall be returned to the taxpayer, and shall become tax defaulted in the usual manner as provided in this code.

In the case of a deficiency in the payment of unsecured taxes, the taxpayer may pay the balance due within six months after the date of the insufficient payment. If payment of the balance due is not made within that time, the tax collector or other officer collecting unsecured taxes shall credit the amount of the insufficient payment on the unsecured roll.

If payment of the balance due is made within the time specified in this section, any delinquent penalty which attaches by operation of law shall be computed only upon the additional amount required to bring the payment to a nondelinquent status.

The county auditor shall make the necessary adjustments in the tax rolls and in the tax and penalty charges.

The tax collector may accept payments which are within ten dollars (\$10) of the tax due as payment in full. The auditor or controller shall prescribe methods for accounting and adjusting their accounts in this matter.

The provisions of this section shall become effective in any county when authorized by resolution adopted by majority vote of the board of supervisors of the county.

MINUTES OF THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA



3.72

On motion of Supervisor Stone, seconded by Supervisor Tavaglione and duly carried, IT WAS ORDERED that the recommendation from the Executive Office regarding Approving Legislation Requiring County Auditors to adhere to State Accounting Standards and Clarifying Handling of Supplemental Property Taxes in a Teeter Program, is continued to Tuesday, August 23, 2005.

Roll Call:

Ayes: Tavaglione, Stone and Wilson
Nays: None
Absent: Buster and Ashley

I hereby certify that the foregoing is a full true, and correct copy of an order made and entered on August 9, 2005 of Supervisors Minutes.

WITNESS my hand and the seal of the Board of Supervisors

Dated: August 9, 2005

Nancy Romero, Clerk of the Board of Supervisors, in

and for the County of Riverside, State of California.

By: David Schlemmer Deputy

AGENDA NO.

3.72

Xc: E.O., COB
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