



# County of Yolo

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**Tom Haynes**  
Chief Financial Officer

## DEPARTMENT OF FINANCIAL SERVICES

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- Financial Leadership
- Budget & Financial Planning
- Treasury & Finance

- Tax & Revenue Collection
- Accounting & Financial Reporting
- Internal Audit

November 7, 2025

To: Cemetery Districts

From: Tom Haynes, Chief Financial Officer  
Bowen Au Young, Accounting Manager

**SUBJECT: GOV Code 26909 Audit Compliance**

### **Background**

In a recent Municipal Service Review (MSR) performed by LAFCo, Cottonwood Cemetery District, Mary's Cemetery District, Knight's Landing Cemetery District, and Capay Cemetery District (collectively "the Districts") were observed to be out of compliance with Government Code (GC) § 26909, which requires special districts to have an annual audit of the accounts and records by a certified public accountant or public accountant. Under certain conditions outlined in GC 26909(c)(1), a special district may, by unanimous request of the governing board of the special district and with unanimous approval of the board of supervisors, replace the annual audit required by this section with a financial review, an agreed-upon procedures engagement, or a financial compilation.

The following is a proposed solution developed by the Department of Financial Services (DFS) that provides a series of options for the Districts to satisfy the state audit requirements and describes the guiding principles of value, relevance, compliance, and cost with which these solutions were determined.

### **Guiding Principles**

**Value:** DFS views **audits** to be the "gold standard" of attest services and provides the highest level of assurance that a district's financial statements are not materially misstated. Audits generally include an evaluation of internal controls, direct testing of transactions, fraud inquiries, and an opined set of financial statements.

**Financial Reviews** provide some assurance and produce a set of financial statements, but procedures are often limited to variance analysis of year end balances and other trend analysis procedures that do not evaluate district records directly, and produce financial statements with no auditor's opinion.

**Agreed Upon Procedures (AUPs)** allow the County to direct the auditor to evaluate specific areas of a district's finances that would otherwise not be evaluated by the County during the normal course of operations. Results of the procedures are clear and objective. No financial statements are produced, but financial reports are easily accessible through the County's accounting system. DFS deems that AUP's provides the next best level of value from an audit.

**Compilations** are an assembly of financial statements in accordance with generally accepted accounting principles. No testing of district transactions, variance analysis, or other analytical or assurance procedures are performed. DFS believes that compilations offer little value because the County's accounting system can readily generate basic trial balances and budget vs. actual reports for review.

**Relevance:** The four noted Cemetery Districts have all been out of compliance for at least the last five years. DFS deems that reports or procedures going too far back in the past offer little to no relevance to district operational decisions or public interest, unless pervasive mismanagement or fraudulent activity has been made known. To date, the County is not aware of such pervasive negligence or malicious activity with any of the identified Cemetery Districts. Audit reports noting past issues with a district's internal control deficiencies or noncompliance with Generally Accepted Accounting Principles offer little relevance given the high frequency of staff turnover. Thus, DFS has determined that performing any attest procedures too far into the past offers little relevance to any current district or County business decisions.

However, the ability to evaluate and compare the growth or decline of a district's financial condition over the recent past is helpful in identifying any current trends that are positively or negatively impacting the district. This would provide additional insight to potential operational decision-making for the district. Thus, DFS has determined that procedures and reports for the last three most recent fiscal years are relevant and helpful to current business decision making.

**Code Compliance:** Government Code § 26909 generally requires audits to be performed on an annual basis but allows alternative options for districts that meet certain criteria outlined in GC26909 (c)(1), including total revenue of less than \$150,000 and all financial transactions being recorded in the County's accounting system. Districts meeting these conditions are allowed to replace the annual audit with an annual (1) financial review, (2) agreed-upon procedures, or (3) financial compilation with unanimous approval by the District Board and the County Board of Supervisors.

Government Code § 26909 does not provide requirements or guidance as to what should be done in an instance of non-compliance over several years other than the expressed authoritative ability for the County Chief Financial Officer (serving in the capacity of Auditor-Controller) to contract with a certified public accountant to audit a district and charge the costs against the unencumbered funds of the district. Therefore, the County believes it has the discretion to determine a path of compliance for the Districts with the intent and goal of maintaining compliance going forward.

**Important Note:** As of January 1, 2027, Government Code § 26909 changes to only allow districts to perform audits or reviews going forward. District's opting for AUPs or compilations must have their reports issued before December 31, 2026.

**Cost:** The cost of audits, reviews, etc. are ultimately incurred by the district. DFS recognizes the limited revenue received by many Cemetery Districts and the contrasting growth of audit costs in recent years. While CPA firms and public accountants have fees that can vary significantly based on quality, specialty, reputation, resources, overhead, volume of clients, etc., it is generally true that reviews, AUPs, and financial compilations costs less (sometimes significantly less) than audits. Of these alternative options, financial reviews are typically the next most expensive, followed by AUPs and then compilations. The cost of AUPs will also vary based on the number and nature of procedures to be performed. The County recognizes that cost is important, and a realistic component of what attest services can be performed, but must be thoughtfully weighed in conjunction with the importance of the value and relevance provided by the services selected.

### **Proposed Solution**

In consideration of the principles discussed above, DFS recommends the following options for Cemetery Districts to achieve and remain in compliance with GC 26909:

- **Option #1:** DFS believes it is ideal to perform an audit for the two most recent fiscal years (FY23/24 & FY24/25) with the expectation that the beginning balances of FY23/24 will also be audited. Auditing the FY23/24 beginning balances (i.e. FY22/23 ending balances) gives general coverage over the ending balances of the statement of net position of third most recent fiscal year, thus providing some insight into the fiscal state of the district over a three-year period.
- **Option #2:** If a two-year audit is cost prohibitive, DFS believes the next best course of action would be to perform an audit in the most recent fiscal year (FY 24/25) with the expectation that the beginning balances of FY24/25 will also be audited.
- **Option #3:** If audits are cost prohibitive, DFS recommends performing an AUP (as determined by the County) for the three most recent fiscal years (FY22/23, FY23/24, FY24/25). Since District records are primarily retained in the County's ERP system, this option is the least administratively burdensome for District and County staff. An example of potential agreed-upon procedures is outlined in Attachment A.
- **Note:** Districts may also consider achieving compliance by engaging a CPA firm to prepare a financial compilation instead of the options above due to cost reasons. However, DFS does not recommend this option because, as noted above, compilations are simply an assembly of financial statements that offer little value to the Districts or County because analysis or attest services are not performed and all financial transactions are maintained within the County's accounting system and basic financial reports can be readily generated.

After the Districts have determined the desired route to compliance with their Board and DFS, Districts must obtain a board resolution approving (1) the method to become compliant; and (2) the method of maintaining compliance going forward that is in line with GC 26909.

Please note that due to the changing code requirements beginning January 2027 districts may need to get subsequent approval from the District Board and County Board of Supervisors depending on the options that are selected. Districts are expected to independently maintain annual compliance with GC 26909 and submit reports to DFS annually. The County will be monitoring district compliance and will inquire with specific districts if attest reports are not submitted timely.

Please feel free to reach out to our office if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Tom Haynes", followed by a horizontal line.

Tom Haynes, Chief Financial Officer  
Department of Financial Services  
Yolo County

TH:BA



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## Attachment A

### Limited Scope Agreed-Upon Procedures Example:

- Identify and evaluate design and implementation proper controls for review and approval of claims, deposits, and journal entries'.
- Perform a fluctuation analysis of expenditure accounts comparing to prior year's actual and current year's budget within the audit period. Identify and report any possible material misstatements and control deficiencies.
- Select a sample (10-40) of cash deposits for each fiscal year within the audit period to verify that the revenue has been supports with proper documentation, properly accounted for in the District's accounting records, and deposited properly within the County treasury.
- Select a sample (20-40) of cash disbursements (wires, claims, etc.) from the District's general ledger to verify the expenditure appropriately supported proper documentation, has an appropriate business use and classified in the proper general ledger account.