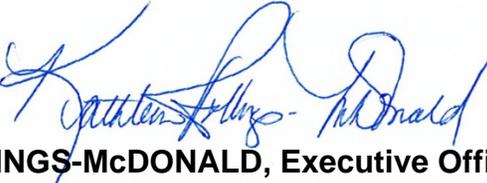


**LOCAL AGENCY FORMATION COMMISSION  
COUNTY OF SAN BERNARDINO**

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**DATE :** JANUARY 9, 2012   
**FROM:** KATHLEEN ROLLINGS-McDONALD, Executive Officer  
**TO:** LOCAL AGENCY FORMATION COMMISSION

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**SUBJECT: AGENDA ITEM #9 – Status Report on Rim of the World Recreation and Park District Compliance with LAFCO Conditions from its Sphere of Influence Update (LAFCO 3149)**

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**RECOMMENDATION:**

Staff recommends that the Commission:

1. Direct staff to continue to monitor the District's compliance with the conditions outlined in Resolution No. 3095 along with resolution of the appropriation limit question outlined in the report;
2. Set another status report for presentation at the July 2012 hearing or upon receipt of report on appropriation limit issue, whichever occurs first; and,
3. Note receipt of the Status Report and file.

**BACKGROUND:**

At the July 21, 2010 hearing the Commission completed its service review for the Rim of the World Recreation and Park District (hereafter ROWRPD or District) outlining its concerns related to the operations of the District. Included within LAFCO Resolution No. 3095 were four conditions, outlined as follows:

1. For the next five years the District is required to provide the Commission annually with a copy of its adopted proposed and final budget, its mid-year budget review and financial reports and copies of the audits presented to the District;

2. The District is required to provide the Commission with an outline for completion of its outstanding audits within the next two years (June 2012);
3. The District is required to provide the County Auditor with copies of all audits and current budgets and the State Controller with copies of all audits as required by law; and,
4. The District is to provide an outline of how it anticipates providing for management of the District according to the requirements of State and Park and Recreation District law.

At the July 2011 hearing, the staff reviewed with the Commission the progress of the District in meeting the conditions outlined the previous year and the Commission established a further update requirement for January 2012. Over the past six months, LAFCO staff has been in contact with the administrative staff of the District regarding the conditions imposed and the questions raised at the July hearing. At this time, LAFCO staff's update is as follows:

1. The questions raised regarding appropriation limit authority have been reviewed at length with the District. They have indicated that at the time that the special tax election was presented to its voters, the question of increasing its mandated appropriation limit was posed to the County as contract managers for the agency. At the time, the response was provided that the inclusion of an increase as a part of the ballot measure was unnecessary. In addition, it has been determined that the District's annual setting of the appropriation limit required by Government Code Section 7910 has not utilized the increase formula set out by the Constitution and Government Code, rather it has set the same limit every year, at least for the past six to seven years. LAFCO staff and Legal Counsel have reviewed this question and determined that the District's current appropriation limit does not cover the revenues from the increased special tax as presently established. Therefore, once the special tax was received last year, the District has exceeded its appropriation limit calling into question the provision of Article XIII B of the Constitution and its implementing sections of the Government Code.

Based upon the determination that the District's implementation of the methodology to address its annual setting of the appropriation limit has been flawed, the District has been requested to go back and develop the appropriation limit as required by State law. It is possible that by recalculating the annual appropriation limit correctly the District may not have exceeded its appropriation authority during Fiscal Year 2010-11 nor exceed it for Fiscal Year 2011-12. LAFCO and District staff have reviewed this matter and the District has currently requested their Auditors, Rogers, Anderson, Malody and Scott, to provide for this corrected calculation. If this correction does not solve the appropriation limit problem, the District will be required to place a ballot measure on the next election to increase its appropriation authority and will then be required to address the increase every four years by subsequent ballot measures. On this basis, LAFCO

staff will be requesting that a further review of the status of this item be presented to the Commission either upon receipt of the background documentation from the District or at the July 2012 hearing, whichever occurs first.

2. In reference to Condition No. 2, no audits have been completed as of the date of this report. Therefore, the Audit for Fiscal Year 2005-06 remains the last completed. The proposed budget for Fiscal Year 2011-12 identified that no audits were completed during 2010-11 and that the monies allocated for that purpose were carried forward to accommodate completion during 2011-12. LAFCO staff has reviewed this requirement with the District and has learned that no audits will be completed by December 2011, as originally anticipated in the budget narrative. District staff has provided a letter which now indicates that the Audits for 2006-07, 2007-08, 2008-09, 2009-10 and 2010-11 will be completed by June 30, 2012. If this is adhered to, it will comply with the provision of Condition #2 – requiring that the audits be completed within two years. However, staff will continue to monitor this activity in the event that it does not come to fruition. The District, in the staff view, still does not have a full and complete understanding of the financial position of the district without these audits.
3. Since there were no audits completed during the period, there is nothing to file with the County or State Controller's office as required by Condition No. 3. In addition the budget materials identify the contracting for preparation of the necessary filings with the State Controller.
4. As identified in the July report, the District does now designate a "Finance Officer" as required by Recreation and Park District Law. At the time of the July report, Mr. Hugh Bialecki, a member of the Board of Directors, was designated the Finance Director. However, material received from the District by email indicates that the Finance Officer was Board Member Davis Hopper. This email also indicates that as of December 5, 2011 the General Manager, Karen Reams, was designated the Finance Officer.

In conclusion, the District has made strides during the past year – paying off its substantial debt to the County, making its payments to the County for its bridge loan on time, making efforts to undertake the maintenance it had deferred for many years, and developing the managerial framework to comply with State Law. However, staff remains concerned that, as identified during the service review, a full and complete picture of the District's operations and its financing needs to be provided to its constituents and the Board in order to make informed decisions for the future. Without completion of the outstanding audits there remains a gap in providing this information.

LAFCO staff will continue to monitor the District as outlined in the conditions and will return either at July 2012 hearing or sooner if materials on the appropriation limit issue are received.

KRM

Attachment:

1. [ROWRPD Fiscal Year 2011-12 Final Budget, Minutes for July 25, 2011 Adopting Budget as Consent Item; Budget Detail Dated June 24, 2011](#)
2. [E-Mail Request from District to Rogers Anderson Malody and Scott regarding Appropriation Limit Calculation](#)
3. [Draft Minutes of December 5, 2011 Board Meeting Designating Finance Officer](#)