

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

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DATE: AUGUST 12, 2015
FROM: KATHLEEN ROLLINGS-McDONALD, Executive Officer
MICHAEL TUERPE, Project Manager
TO: LOCAL AGENCY FORMATION COMMISSION



SUBJECT: Agenda Item #8 – Status Report on Rim of the World Recreation and Park District

RECOMMENDATION:

Staff recommends that the Commission:

1. Set another status report for presentation at the February 2016 hearing; and,
2. Note receipt of the Status Report and file.

BACKGROUND:

At the July 2010 hearing the Commission completed its service review for the Rim of the World Recreation and Park District (“District”) through adoption of Resolution No. 3095. The Commission identified a number of financial issues which prompted it to question the District’s financial solvency at that time. The District has satisfied all of the conditions outlined in the Commission’s resolution from the service review and many of the questions and concerns identified by the Commission are being addressed.

However, the Commission in March 2015 determined that it would be prudent to continue monitoring the District for one additional year. As indicated in the staff report from March 2015, although the District has made great strides in management and its finances, the Commission should review another year’s worth of data since it takes a few years for changes to come to fruition such as management changes at the District, recent hiring of a financial position, and budget cuts. The hope is that continuing attention to its governance and financial issues will preclude the problems of the past from resurfacing as its special tax is a flat rate without benefit of inflationary increases.

REVIEW OF 2014-15 YEAR-END AND FY 2015-16 BUDGET:

The following outlines the status of issues identified by LAFCO staff in previous update reports and a review of the FY 2014-15 year-end and FY 2015-16 Budget.

In the staff's view, the district still does not have a full understanding of fund (governmental) accounting and generally accepted governmental budgeting standards. For example,

- The 2014-15 year-end had a net gain (Revenues more than Expenditures) of \$189,166. Although the amount becomes part of what the District identifies as "Non-Reserve Fund Balance", this is not specifically identified in the financial document.
- When looking at the 2015-16 budget, revenues are budgeted at \$40,706 over expenditures, with this amount designated in the District's budget as "Contingency/Carryforward". Funds set aside for contingencies are not carry forward funds, although unused contingency funds do carry forward.
- The District has possibly overreached by substantially increasing its reserve levels to the point that for 2015-16 Unassigned fund balance is 23% (\$240,027) of Total Expenditures (\$1,052,119). This may be an issue because the district does not receive its first proceeds of taxes until November (LAFCO staff has confirmed that the district does not request a constitutional advance of its first proceeds of taxes). Therefore, the unassigned funds are necessary to operate the district until that time. Should an unexpected circumstance arise, then the committed reserves would have to be used and a Board of Directors action required to do so.
- Further, the district states the 2015-16 Reserve and Fund Balance figures are based on the final 2014-15 budget and not on actual figures for 2014-15 year-end. The totals have been "adjusted upward preliminarily by \$191,423" according to the background documents for the 2014-15 financial statements. An interim report update will be prepared shortly showing the tentative actual balances described. LAFCO staff questions why the district did not calculate the actual year-end figures during the recent 2015-16 budget formulation. In turn, the need for an interim update is unnecessarily being prepared.

The district has made significant strides in this area, and LAFCO staff will continue to monitor and provide feedback. With a few more improvements, the district's financial documents should be readily understandable to the public.

The figure below prepared by LAFCO and District staffs is a compilation of the District's own financial documents (audits, 2014-15 year-end, and 2015-16 budget). For presentation purposes, the Reserve and Fund Balance figures conform with the "adjusted upward preliminarily by \$191,423" discussed above in the third bullet.

Item # 8 – Status Report for
Rim of the World Recreation and Park District
August 12, 2015

	AUDITS			ADOPTED	2014-15		2015-16 ADOPTED
	For the Year Ended June 30				YEAR-END		
	2011-12	2012-13	2013-14		Thru	% of	
	Restated	Restated			Year-End	Budget	
REVENUE							
Special Tax Proceeds	\$736,369	\$757,828	\$769,139	\$760,000	\$784,182	103%	\$780,000
Delinquent Tax and Interest	9,762	9,370					
Rents and Concessions	74,695	80,932	96,627	88,164	99,841	113%	91,425
Intergovernmental	39,950						
Charges for Service:							
Recreation	144,800	158,881	151,436	155,600	128,428	83%	123,800
Childcare	179,111	141,512	108,025	95,000	109,010	115%	95,000
Contributions and Donations	470		3,280		5,018	N/A	2,000
Other	8,254	2,495	9,964		4,328	N/A	600
TOTAL REVENUES	\$1,193,411	\$1,151,018	\$1,138,471	\$1,098,764	\$1,130,807	103%	\$1,092,825
EXPENDITURES							
Administration:							
Salaries and Benefits	264,961	310,312	322,206	338,932	339,502	100%	333,995
Services and Supplies	266,803	167,010	130,325	345,675	189,730	55%	266,675
Utilities	74,540	83,960		65,500	72,253	110%	72,350
Total Administration	606,304	561,282	452,531	750,107	601,485	80%	673,020
Recreation							
Salaries and Benefits	51,734	48,832	25,436	37,958	34,384	91%	48,404
Services and Supplies	98,394	230,062	270,435	119,693	100,377	84%	97,210
Total Recreation	150,128	278,894	295,871	157,651	134,761	85%	145,614
Child Care:							
Salaries and Benefits	149,828	129,979	133,152	138,597	110,463	80%	142,750
Services and Supplies	31,426	16,564	10,259	9,890	8,553	86%	8,580
Utilities	1,826	2,064					
Total Child Care	183,080	148,607	143,411	148,487	119,016	80%	151,330
Debt Service							
Principal	214,679	115,639	33,392		56,650	N/A	82,155
Interest	34,894	33,100	31,778		27,472	N/A	
Total Debt Service	249,573	148,739	65,170	0	84,122	N/A	82,155
TOTAL EXPENDITURES	1,189,085	1,137,522	956,983	1,056,245	939,384	89%	1,052,119
OTHER FINANCING							
Insurance Recovery		89,066					
Unassigned Carryover							
GAIN (LOSS)	4,326	13,496	181,488	42,519	191,423		40,706
Beginning Fund Balance	175,000	179,326	219,339	400,827	400,827		592,250
Ending Fund Balance	\$179,326 *	\$219,339 *	\$ 400,827	\$ 443,346	\$ 592,250		\$ 632,956
* Ending Fund Balance restated							
RESERVES							
Contingency & Capital Reserves							
Capital Acquisition			24,000		24,000		200,000
Capital Replacement			7,200		7,200		7,200
Contingency Reserve Carryover					11,319		-
Sub-total			31,200		42,519		207,200
Fund Balance & Other Reserves							
Operating			\$ 39,410		\$ 39,410		\$ 50,729
Maintenance Truck					7,200		15,000
Running Springs Skate Park					14,000		-
New Facility					10,000		-
Hootman Center Parking Lot					-		75,000
Green Valley Lake Playground					-		45,000
Unassigned (Budget)			330,217		330,217		91,123
Unassigned (Additional Carryover into 15-16)					148,904		148,904
Sub-total			369,627		549,731		425,756
Total Fund Balance			\$ 400,827		\$ 592,250		\$ 632,956

FY 2014-15 YEAR-END

Revenues exceed the budget by 2% and Expenditures were under budget by 88%. This resulted in a net gain of \$189,166. The following items explain the largest variances between the budget and year-end figures:

Revenues

- The special parcel tax realized roughly \$21,000 more than the budgeted amount.
- From 2011-12 to 2014-15, childcare revenues decreased from \$179,000 to \$106,000. Fortunately, revenues for this service are stabilizing as patronage is increasing. Historically, the childcare activities also require an annual subsidy but its annual requirement has been substantially reduced.

Expenditures

- The charges for completion of the annual audit was \$24,300 under the budgeted amount. This is due to the District having an adopted chart of accounts and a staff position for finance. As a result, the audit was completed earlier than in the previous fiscal year.
- The absence of major repairs and maintenance resulted in savings of roughly \$15,000. However, the question remains as to whether ongoing maintenance activities are being deferred or conducted routinely to prevent large expenses in the future.

The guideline for special districts is to have a reserve of at least 10% of expenditures. At the last status update in March 2015, the reserve total was 7.4% with a large amount of fund balance classified as unassigned. With the funds gained during the year, the District increased the reserve levels significantly as follows:

- Contingency Reserve Carryover \$11,319
- Maintenance Truck \$ 7,200
- Running Springs Skate Park \$14,000
- New Facility \$10,000

FY 2015-16 BUDGET

The District has adopted what appears to be a sustainable budget. The figure below compares the district's activities by summary category since 2011-12.

Expenditures	2011-12	2012-13	2013-14	2014-15	2015-16
Salaries and Benefits	\$ 466,523	\$ 489,123	\$ 480,794	\$ 484,349	\$ 525,149
Services and Supplies & Utilities	472,989	499,660	411,019	370,913	444,815
Debt Service	249,573	148,739	65,170	84,122	82,155
TOTAL	\$ 1,189,085	\$ 1,137,522	\$ 956,983	\$ 939,384	\$ 1,052,119

With the funds gained, the district was able to increase the following reserve categories by the following amounts. Of note, roughly \$239,000 in previous unassigned funds were used to either increase or create new reserves.

- Capital Acquisition \$176,000
- Operating \$ 11,319
- Maintenance Truck \$ 7,800
- Hootman Center Parking Lot \$ 75,000 (new reserve category)
- Arrowbear Playground \$ 45,000 (new reserve category)

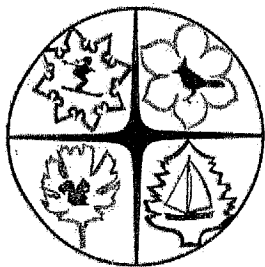
CONCLUSION:

The District's financial situation seems to be improving after years on unsure ground. The District has made strides in its financial reporting, and the hope is that continuing attention to its governance and financial issues will preclude the problems of the past from resurfacing as its special tax is a flat rate without benefit of inflationary increases. However, more understanding and timely reporting of reserves and fund balances are needed as well as assurances that maintenance of the District's facilities are not being defunded.

The District has two more status reports scheduled: February 2016 (2014-15 audit and 2015-16 mid-year) and August 2016 (2015-16 year-end and 2016-17 budget).

KRM/MT

Attachment: Adopted Budget for Fiscal Year 2015-16



Rim of the World Recreation and Park District

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RECEIVED
AUG 03 2015

LAFCO
San Bernardino County

July 30, 2015

Local Agency Formation Commission for San Bernardino County
Attn.: Michael Tuerpe, Project Manager
215 N. D St., Suite 204
San Bernardino, CA 92415-0490

Re: Copy of the Final Fiscal 2015-2016 Budget and Related Resolutions

Dear Michael:

Please find attached our Final Fiscal 2015-2016 Budget and the applicable resolutions approving said budget and establishing the appropriations limit, approved by our Board of Directors at its regular July Board Meeting on July 27, 2015.

Please note that Reserve and Fund Balance figures are based on the Final Fiscal 2014-2015 Budget and not on actual figures for the fiscal year just ended. The totals have been adjusted upward preliminarily by \$191,423 according to the current financial reports for the period ending June 30, 2015, and they will likely be revised again once the independent audit has been completed. An interim update will be prepared shortly showing the tentative actual balances described.

If you have any questions about the statement enclosed, please feel free to contact me.

Sincerely,

Rick De Prisco

Rick De Prisco
Finance Manager

RIM OF THE WORLD RECREATION AND PARK DISTRICT
FINAL FY 2015/16 BUDGET

BUDGET LINE ITEMS		G/L ACCT NUMBER	FINAL BUDGET FY 2014/15	FINAL BUDGET FY 2015/16
COLUMN 1	COLUMN 2	COLUMN 3	COLUMN 4	
Fund Balance/Reserves, 6/30/14 (audited restatement)		300-100	400,827	287,698
Revenue				
Special Parcel Tax	500-110	760,000	780,000	
Childcare Income	500-200	95,000	95,000	
Rental Income	500-400	88,164	91,425	
Recreation Programs - Comm	500-501	100,000	70,000	
Recreation Programs - Non-Comm	500-502	35,600	34,800	
Recreation Programs - Special	500-503	20,000	19,000	
Donations & Other Income	500-900	0	2,600	
Total Revenue		1,098,764	1,092,825	
Total			1,098,764	1,092,825
Expense - Service & Supplies				
Advertising - Printing/Publ/Mktg	600-500	15,000	17,000	
Advertising - Legal Notice Post	600-515	500	0	
Bank Charges	600-700	6,840	4,510	
Board Member Expense	600-800	300	300	
Communications	600-900	10,600	10,040	
Equipment and Supplies	700-300	18,200	12,500	
Auto Expense	700-400	14,100	12,000	
Professional Services	700-500	74,755	47,805	
Program Instructors (1099)	700-600	65,000	49,000	
Program Expenses - Other	700-603	7,740	5,400	
Recreation Programs Expense	700-650	5,000	660	
Recreation Non-Commission	800-610	10,900	8,100	
Special Programs	700-620	11,253	13,550	
Special Event Programs	700-630	19,000	20,500	
License Fees	700-800	880	210	
Insurance	700-900	31,700	36,790	
Childcare Expense	800-100	9,890	8,580	
Building Loan Payment	800-300	48,440	48,695	
Meals & Entertainment	800-400	500	600	
Memberships	800-500	5,000	6,000	
Mileage	800-600	5,000	1,500	
Miscellaneous Expense	800-700	200	2,600	
Rent/Lease of Equipment	800-800	11,700	17,200	
Postage	800-900	1,700	1,000	
Facilities Rental Charge	900-200	4,000	4,200	
Facility Repairs & Maintenance	900-300	47,000	41,800	
Elections	900-400	0	50,000	
Travel	900-600	5,500	5,800	
Utilities	900-700	66,000	54,845	
Equipment Repairs/Maintenance	900-800	10,600	12,325	
SB CERA debt payments	800-310	33,460	33,460	
Total Service & Supplies		540,758	526,970	
Compensation & Benefits	600-100	515,487	525,149	
Total Expenditures		1,056,245	1,052,119	
Contingency/Carry forward			42,519	40,706
Total Contingencies and Reserves			42,519	40,706
Total Appropriations			1,098,764	1,092,825
Net Changes to New General Reserves			113,129	239,094
Net Change in Non-Reserve Fund Balance			-113,129	-239,094
Non-Reserve Fund Balance, end of year		300-100	330,217	91,123
Total Reserves Balance, end of year		300-410	113,129	392,929
Total Reserves and Fund Balance, end of year		300-400	443,346	484,052



RESOLUTION No. 07272015-A

A RESOLUTION OF THE GOVERNING BOARD OF
THE RIM OF THE WORLD RECREATION AND PARK DISTRICT,
COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, ADOPTING THE FINAL
2015/2016 BUDGET, SPECIAL ASSESSMENT, AND APPROPRIATIONS LIMIT FOR
SUBMITTAL TO THE COUNTY AUDITOR/CONTROLLER'S OFFICE.

WHEREAS, the Board of Directors of the Rim of the World Recreation & Park District meeting on July 27, 2015, hereby determines that it is in the best interest of the District to adopt the 2015/2016 Final Budget and Special Assessment; and

WHEREAS, the Budget categories are as follows in the amounts reflected; and

<u>Expenditures</u>	
Compensation and Benefits	\$ 525,149
Service and Supplies	\$ 526,970
Contingency Reserve	\$ 40,706
Total	\$1,092,825
<u>Revenue</u>	
Special Parcel Tax (\$22.00 per parcel)	\$ 780,000
Fees & Charges	
Childcare Income	\$ 95,000
Rental Income	\$ 91,425
Recreation Programs Comm	\$ 70,000
Recreation Programs Non-Comm	\$ 34,800
Special Events/Other	\$ 21,600
Total	\$1,092,825

WHEREAS, the Board of Directors has determined that the 2015/2016 Budget is within the Appropriations Limit and that, due to requirements of the District operations, the Special Assessment shall be \$22.00 per parcel;

NOW, THEREFORE, the Board of Directors of the Rim of the World Recreation & Park District does hereby submit the 2015/2016 Final Budget to the San Bernardino County Auditor/Controller's Office.

PASSED, APPROVED AND ADOPTED this 27th day of July, 2015


Carol Tesley, Chairman of the Board

Attest: 
Hugh A. Bialecki, DMD, Secretary



RESOLUTION No. 07272015-B

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE
RIM OF THE WORLD RECREATION AND PARK
DISTRICT ESTABLISHING THE APPROPRIATIONS
LIMITS FOR FISCAL YEAR 2015-2016**

WHEREAS, Article XIII B of the California Constitution places an annual limitation upon appropriations from proceeds of taxes by each local government of the State of California; and

WHEREAS, Section 7910 of the California Government Code implements Article XIII B of the California Constitution by requiring each local jurisdiction to establish, by resolution, its appropriation limit of each fiscal year, beginning with 1980-81, and to make the documentation used in determining each year's appropriations limit available to the public fifteen (15) days prior to adoption of the resolution establishing the appropriations limit; and

WHEREAS, in accordance with Senate Constitutional Amendment No.1 approved by the voters of the State effective June 6, 1990, beginning with fiscal year 1990-91 and for each fiscal year thereafter, the Rim of the World Recreation and Park District (the "District") Board of Directors ("Board") is required to elect either the percentage change in the California per capita income or the percentage change in the local assessment roll due to the addition of local non-residential construction, and either the population change within the District or the population change within San Bernardino County, as the two factors to be applied in adjusting the appropriations limit for each fiscal year; and

WHEREAS, the Board previously selected as factors in determining this District's appropriations limit, the percentage change in the State of California per capita personal income and the population change within San Bernardino County; and

WHEREAS, the data and calculation for the District's annual appropriations limit for fiscal years 2015-16 were made available to the public at least fifteen (15) days prior to the adoption of this Resolution;

Attachment A

<u>Actual calculation</u>	<u>2015-2016</u>
Per capita personal income change	3.82%
Population change:	
County population growth	1.09%
CPI change converted to a ratio	1.0382
Population change converted to a ratio	1.0109
Calculation of growth factor	1.0495
2014-2015 limit	<u>\$2,570,414</u>
2015-2016 limit (\$2,570,414 x 1.0495)	<u>\$2,697,649</u>

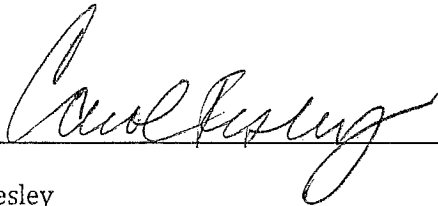
NOW, THEREFORE, BE IT RESOLVED, by the Board of Directors of the Rim of the World Recreation and Park District as Follows:

1. The Board hereby finds the above recitals to be true and correct and are hereby incorporated and made an operative part of the Resolution.
2. Pursuant to Article XIII B of the California Constitution, the appropriations limit applicable to the District for fiscal years 2015-2016 are hereby established and determined to be the following sums:

Fiscal Year	2015 -2016	\$	\$2,697,649
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3. If any one or more of the provisions of this Resolution shall for any reason be held invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions, and such invalidity, illegality or unenforceability shall not affect any other provision of this Resolution.

PASSED, APPROVED AND ADOPTED this 27th day of July 2015



Carol Tesley

Chairman of the Board of Directors

ATTEST:



Hugh A. Bialecki, DMD

Secretary to the Board of Directors