

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

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**DATE: JULY 13, 2010**

**FROM: KATHLEEN ROLLINGS-McDONALD, Executive Officer  
MICHAEL TUERPE, LAFCO Analyst**

**TO: LOCAL AGENCY FORMATION COMMISSION**

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**SUBJECT: Agenda Item 8: Unaudited Year-end Financial Report for FY 2009-10**

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**RECOMMENDATION:**

Staff recommends that the Commission note the receipt of the Unaudited Year-End Financial Report and file.

**FY 2009-10 YEAR-END BUDGET REVIEW:**

Staff is presenting the Commission with a spreadsheet (Attachment #1) and narrative that outlines the year-end status of the Commission's financial activity which include expenditures and receipts for FY 2009-10. The spreadsheet identifies that total expenditures were within appropriation authority for all fund categories. Total revenues were slightly above projections due to the receipt of an additional proposal during the year and additional fees received for three active proposals.

**Appropriations (Expenditures and Reserves):**

Appropriations are comprised of three categories of accounts: 1) Salaries and Benefits, 2) Services and Supplies, and 3) Contingency and Reserves. Together, Salaries and Benefits and Services and Supplies comprise Total Expenditures. The unaudited Total Expenditures at June 30 was \$1,199,871 (95% of Final Budget); the difference of \$62,971 between the budget and unaudited total is explained in detail below. The entirety of the Commission's reserve, \$122,658, was carried forward into FY 2010-11.

*1. Salaries and Benefits (1000 series)*

The Salaries and Benefits series of accounts (1000 series) had expenditures of \$808,224 for the year, representing 99% of budget authority. Of note, for this fiscal year the budget included two atypical activities:

- An additional pay period (a total of 27), a once every ten year occurrence.
- Budgeted activities related to the separation of the former Clerk which included termination payments and salary and benefits payments for three pay periods.

## 2. *Services and Supplies (2000 and 5000 series)*

The Services and Supplies series of accounts (2000 and 5000 series) had expenditures of \$391,647 for the year, or 88% of budget authority. The year-end total of \$391,647 is in contrast to the year-end estimate of \$428,391 identified in the FY 2010-11 Budget materials and shown on the attached spreadsheet. The difference of \$36,744 between the year-end estimate and unaudited year-end is attributed to the following:

- \$18,570 in invoices was submitted for payment to the County Auditor in June but will be processed in July. The invoices are mainly comprised of Legal Notices for Commission hearings (Account 2085), Litigation (2449), and Commissioner stipends and travel (2445 and 2940). The funds for these activities have been carried into FY 2010-11.
- An estimated \$17,700 is attributable to litigation invoices that were anticipated to be received during FY 2009-10 but were not. However, these funds have been carried into FY 2010-11 to accommodate increased costs due to substitution of legal counsel for litigation representation.

Legal activity is a considerable and variable portion of the Service and Supplies series of accounts. The expenditures are dependent upon proposal activity and the need for representation. For the fiscal year ending, the Commission's legal activity totaled \$97,215 and was comprised of the following:

- General Legal Counsel (Account 2400) - \$53,373
  - \$29,542 related to general counsel services which includes review of proposal and service review activity. Of this amount, \$4,640 has been billed and recovered from the applicants.
  - \$23,831 related to the environmental processing done by Best, Best, and Krieger related to the consolidation of the San Bernardino Valley Municipal Water District and the San Bernardino Valley Water Conservation District. The applicant provided full reimbursement of this cost.
- Outside Legal (Account 2449) - \$43,842
  - \$2,325 for special counsel related to the application for the Hi-Desert Water District activation of sewer function. This cost was recovered through a combination of applicant reimbursement and remaining balances from other deposit categories.

- \$32,017 received for litigation related to the six island annexations to the City of San Bernardino. This cost was not recovered during the Fiscal Year.
- \$9,500 for litigation related to an island annexation to the City of Fontana. This cost is not recoverable.

Additionally, Other Insurance (Account 2245) exceeded the budget by 83%. This is due to early payment of the full-year insurance costs for FY 2010-11, \$8,640.

### 3. Contingency and Reserves (6000 series)

The entirety of the Commission's reserve, \$122,658, has carried forward into FY 2010-11.

#### Revenues

The unaudited Total Revenues at year's end is \$1,402,339, which exceeded budget projections by \$16,839, or 1.2%. The items below outline the revenue activity for the year:

- Interest (Account 8500) – Only 62% of the interest projected for the year was received due to lower interest rates received by the County Treasury.
- Local Government (Account 8842) – The Commission received 100% of the apportioned costs to the County, cities, and independent special districts.
- Current Services/Fees (Accounts 9545-9800) – 111% was received in the category of accounts that comprise fees and deposits for processing proposals, out-of-agency service contracts, and service review receipts.
  - The 11% in excess of budget is due to the receipt of an additional proposal and additional fees received for three active proposals. The majority of the costs for these proposals will occur in FY 2010-11, and these funds have been carried forward into FY 2010-11.
  - Two cost recovery activities took place that individually is significant in its respective amount; however, they essentially cancel each other and have little net effect on the Revenue Budget.
    - \$42,416 was received as cost recovery for proposals and service reviews where costs within deposit categories were more than the deposits received by the applicant (not included in the budget). As of June 30, there were no outstanding accounts receivables due to the Commission.

- The budget projected \$40,000 additional in cost recovery for environmental processing by Best, Best, and Krieger related to the consolidation of the San Bernardino Valley Municipal Water District and the San Bernardino Valley Water Conservation District. This activity concluded earlier than expected, and the expenditures and cost recovery for this activity were lower than projected.
- Other Types of Revenue (Accounts 9910-9990) – This category of revenue accounts exceed budget projections by three percent. This is primarily attributable to roughly \$7,400 in fewer refunds processed for closed proposals from prior years (Account 9910), where costs within deposit categories were less than the deposits received by the applicant.

Proposal Activity

The chart below identifies the number of proposals, service contracts, and service review deposits received during the year. Receipts met or exceeded projections for proposals and two categories of service contracts. Specifically, six proposals were projected and nine were received. Attachment #2 provides a yearly comparison of proposal activity.

Activity	Final Budget	Actual	
		No.	% of Budget
Proposals	6	8	133%
Proposals - Island Annexation	2	1	50%
Service Contracts - 5 or more units	0	0	-
Service Contracts - up to 4 units	1	0	0%
Service Contracts - Non Develop.	1	4	400%
Service Contract - Exemp. 56133	0	1	-
Service Review Deposits	13	5	38%

Fourteen service reviews were completed during the year: Daggett, Newberry, and Yermo Community Services Districts; City of Adelanto, Victor Valley Wastewater Reclamation Authority, Searles Valley (6) and Yucca Valley (3).

Fund Balance

At June 30, 2010, the Commission’s fund balance in the County Treasury was \$202,649. This amount is comprised of the following:

- \$122,658 in Reserves
- \$36,744 in invoices for FY 2009-10 activities to be processed by the County in FY 2010-11
- \$28,492 in deferred revenue for proposal and service review activity that will occur in FY 2010-11

After accounting for the above items, the remainder of \$14,755 represents the net revenue gain for the year.

**CONCLUSION:**

Total expenditures were within appropriation authority for all fund categories. Total revenues were above projections due to the receipt of an additional proposal during the year and additional fees received for three active proposals. Costs for proposals received towards the end of the fiscal year will occur in FY 2010-11. The entirety of the Commission's reserve was carried forward into FY 2010-11.

KRM/MT

Attachments:

1. [Spreadsheet of Year-end Expenditures, Reserves, and Revenues for FY 2009-10](#)
2. [Chart Illustrating Yearly Proposal, Service Contract, and Service Review Activity](#)