

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

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DATE : JULY 11, 2011

FROM: KATHLEEN ROLLINGS-McDONALD, Executive Officer

TO: LOCAL AGENCY FORMATION COMMISSION

SUBJECT: AGENDA ITEM #10 – Status Report on Rim of the World Recreation and Park District Compliance with LAFCO Conditions from its Sphere of Influence Update (LAFCO 3149)

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 and set another status report for presentation either at mid-year or at the close of Fiscal Year 2011-12.
2. 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 (copied included as Attachment #1) 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.

Over the past year, LAFCO staff has been in contact with the administrative staff of the District regarding these conditions and made a presentation to the Board of Directors In September 2010 to outline the conditions imposed by the Commission. At this time, LAFCO staff is providing the Commission with an update on the status of compliance with the conditions imposed on the sphere of influence update.

1. In regard to Condition No. 1, LAFCO staff has been in contact with the administrative staff of the district quarterly to request the submission of the required documents. Overall, the documents have been received, but questions did arise on a couple of occasions regarding exceeding appropriation authority. District staff members have taken the required items to the Board of Directors to correct these occurrences. Attachment #2 to the staff report is the material for the Fiscal Year 2011-12 Proposed Budget and the actions amending the Fiscal Year 2010-11 Budget.
2. In reference to Condition No. 2, no audits have been completed during Fiscal Year 2010-11; therefore, the Audit for Fiscal Year 2005-06 remains the last completed. The District has provided LAFCO staff with the engagement letter from Rogers, Anderson Malody & Scott LLP (RAMS) to complete the audits for the District (Attachment #3) from August 2010. However, the proposed budget for Fiscal Year 2011-12 identifies that no audits were completed during 2010-11 and that the monies were to be carried forward to accommodate completion during 2011-12. The narrative report identifies that it is expected that the Audits for 2006-07 and 2007-08 will be completed by December 31, 2011 and that the audits for 2008-09 and 2009-10 will be completed by June 30, 2012. If this schedule 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 this 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.

An additional item that was a concern during the service review for the District was the unpaid balances to the County for services or operations provided – the Registrar of Voters for elections, monies owed the County Treasury for payroll processing, and monies due the County Special Districts Department for its contracted management of the District. The District secured a \$500,000 loan from the Third District to provide for the funding of repayment of outstanding items to the County and to provide for gap funding until receipt of its first increased proceeds

from its revised assessment. This loan, plus interest, is to be repaid in installments of approximately \$200,000 over three years. Based upon the budget materials provided by the District, it has not found itself in a negative financial position this fiscal year – the first time for many years.

3. Since there were no audits completed during the period, there is nothing to file with the County Auditor-Controller or State Controller's office as required by Condition No. 3. LAFCO staff received the copies of the Proposed Fiscal Year 2011-12 budget on July 6, 2011 and will verify with the District prior to the hearing that it was filed with the County Auditor-Controller. In addition the budget materials identify the contracting for preparation of the necessary filings with the State Controller.
4. In response to Condition No. 4, during the past Fiscal Year, the District has designated a "Finance Officer" as required by Recreation and Park District Law, Mr. Hugh Bialecki, a member of the Board of Directors, and determined that the District's insurance coverage provided for the necessary bonding as identified in Public Resources Code Section 5784.9. Pursuant to Park and Recreation District Law the Finance Officer "shall install and maintain a system of auditing and accounting that shall completely and at all times show the financial condition of the district" (Public Resources Code Section 5784.9(i)).

During the first half of the Fiscal Year, the District terminated its contract with the County Special Districts Department for general management of the District and hired a General Manager as a contract employee, Ms. Karen Reams in December 2010. Ms. Reams has or will become a District employee during July 2011

In conclusion, the District has made great strides during the past year – paying off its substantial debt to the County, 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. 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 mid-year or at the end of Fiscal Year 2011-12 with another status report.

KRM

Attachment:

1. [LAFCO Resolution No. 3095](#)
2. [ROWRPD Fiscal Year 2011-12 Proposed Budget](#)
3. [Fiscal Year 2010-11 Amended Final Budget](#)
4. [Engagement Letter from Rogers Anderson Malady & Scott LLP for Preparation of Audits for FY 2006-07 through 2010-11.](#)