

LOCAL AGENCY FORMATION COMMISSION COUNTY OF SAN BERNARDINO

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DATE: JULY 11, 2011
FROM: MICHAEL TUERPE, Project Manager
TO: LOCAL AGENCY FORMATION COMMISSION

SUBJECT: Agenda Item 4: Unaudited Year-end Financial Report for FY 2010-11

RECOMMENDATION:

Staff recommends that the Commission note the receipt of and file the Unaudited Year-End Financial Report for Fiscal Year 2010-11.

BACKGROUND:

Staff is presenting the Commission with its year-end review of the FY 2010-11 Budget which includes expenditures and revenues for FY 2010-11. Attachment #1 to this report is a spreadsheet summarizing the unaudited financial activity for the period July 1, 2010 through June 30, 2011. The spreadsheet identifies that total expenditures were within appropriation authority for all fund categories and total revenues were slightly above projections due to the receipt of an additional proposal during the year. Additional information, in narrative form regarding the year-end review, is provided below.

Expenditures and Reserves

Expenditures are comprised of two categories of accounts: 1) Salaries and Benefits and 2) Services and Supplies. The unaudited Total Expenditures at June 30 was \$1,008,153 (88% of Final Budget); the difference of \$135,296 between the budget and unaudited total is explained in detail below.

No activity has been authorized by the Commission for utilizing the appropriation authority within the Contingency and Reserve accounts. Therefore, the entirety of the Commission's Contingencies (\$35,197) and Reserves (\$124,108) were carried forward into FY 2011-12.

1. Salaries and Benefits (1000 series)

The Salaries and Benefits series of accounts (1000 series) had expenditures of \$674,964 for the year, representing 95% of budget authority. Of note, for this fiscal year the budget included the retirement of the Executive Officer as a regular employee, which included:

- Leave cashout payments totaling \$35,209 (one-time payment that was budgeted),
- Mandatory Termination (sick leave payment to retirement medical trust) and final leave cashouts totaling \$37,700 (that was budgeted), and
- The Executive Officer served as a regular employee for eight pay periods within FY 2010-11 receiving full salary and benefits payments.

2. Services and Supplies (2000 and 5000 series)

Expenditures for Services and Supplies (2000 and 5000 series of accounts) are at \$333,188 for the year, or 76% of Budget authority. However, \$16,712 in invoices were submitted for payment to the County Auditor in June but will be processed in July. The invoices are mainly comprised of payment of legal ads for Commission hearings or protest proceedings (Account 2085), Legal Counsel (Account 2400), and Commissioner stipends and travel (2445 and 2940). The funds for these activities have been carried forward into FY 2011-12.

Legal activity is a considerable and variable portion of the Services 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 \$87,531 and was comprised of the following:

- General Legal Counsel (Account 2400) - \$29,198 related to general counsel services which includes review of proposal and service review activity. Of this amount, \$9,614 is either covered by the applicant's legal deposit or has been billed and recovered from the applicants.
- Outside Legal (Account 2449) - \$58,333
 - Litigation payments (Account 2449 Outside Legal) totaling \$57,315 related to the settlement payment and attorney costs for the Hulse Litigation of the six island annexations to the City of San Bernardino. This cost is not recoverable.
 - \$1,018 for litigation related to an island annexation to the City of Fontana. This cost is not recoverable.

Another considerable portion of the Services and Supplies series was the upgrade of the staff computers and related equipment. As a part of the FY 2010-11 Budget, the Commission approved the project for a total cost of \$26,690. All of the hardware and labor costs have been processed; an additional \$709 for software has not yet been processed by the County. When this cost is processed, the total project will total \$24,704 (93% of project budget).

3. Contingency and Reserves (6000 series)

No activity has been authorized by the Commission for utilizing the appropriation authority within the Contingency and Reserve accounts. Therefore, the entirety of the Commission's Contingencies (\$35,197) and Reserves (\$124,108) were carried forward into FY 2011-12.

Revenues

1. Revenues at Year-end

The unaudited Total Revenues at year's end is \$1,312,959, which exceeded budget projections by roughly 1%. The items below outline the revenue activity for the year:

- Interest (Account 8500) – Only 66% of the interest projected for the year was received due to lower interest rates received by the County Treasury.
- Local Government (Account 8842) – Of the apportioned costs to the County, cities, and independent special district, 100% was received. Of note, the Auditor-Controller deducted the apportionment cost from one Special District and transferred that sum to the Commission.
- Fees and Deposits (Accounts 9545-9800) – 101% was received in the category of accounts that comprise fees and deposits for processing proposals, out-of-agency service contracts, and service review receipts.
- Other Types of Revenue (Accounts 9910-9990) – In sum this category of revenue accounts matched budget projections with 100% received.

2. 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. Attachment #2 to this report is a graph showing the yearly comparison of proposal activity.

Activity	Amended Budget	Year-End Actual	
		No.	% of Budget
Proposals	5	6	120%
Service Contracts - over 4 units	0	0	
Service Contracts - 4 units & under	1	1	100%
Service Contracts - Admin approval	2	8	400%
Service Review Deposits	13	0	0%
Protest Hearing Deposits	4	4	100%

Fourteen service reviews were completed during the year: Rim of the World Recreation and Park District, Crestline-Lake Arrowhead Water Agency, three for the Lake Arrowhead community, three for the Crest Forest community, four for the Hilltop community, and two for the Joshua Tree community. Additionally, four service reviews/sphere updates were presented to the Commission during the year but were continued to later hearings (Mountain Road Service [3] and Crestline Sanitation District).

Cash in Treasury

At June 30, 2011, the Commission’s balance in the County Treasury was \$304,806. This amount is comprised of the following:

- \$159,305 in Reserves and Contingencies
- \$16,712 in invoices for FY 2010-11 activities to be processed by the County in FY 2011-12
- Roughly \$5,000 in invoices or activities anticipated for processing in FY 2010-11 but not yet received. These activities include legal advertisements for the June Commission hearing and a protest hearing, environmental review for the Bear Valley Community service reviews, postal charges by the County that were accrued into FY 2011-12, and participation of the Project Manager at a GIS training conference.
- \$50,430 in deferred revenue and deposits on file for proposal and service review activity that will occur in FY 2011-12
- \$73,359 in additional carryover

At the September hearing staff will present a discussion of the increased cash carryover following the County’s final year-end processing, as well as a discussion regarding implementation of the benefit reductions proposed for FY 2011-12. At that time the potential for refunds to the apportionment entities will be reviewed.

CONCLUSION:

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. Costs for proposals received towards the end of the fiscal year will

occur in FY 2011-12; therefore the revenues have been carried forward into FY 2011-12. The entirety of the Commission's reserves and contingencies were carried forward into FY 2011-12.

KRM/MT

Attachments:

1. [Spreadsheet of Year-end Expenditures, Reserves, and Revenues for FY 2010-11](#)
2. [Chart Illustrating Yearly Proposal, Service Contract, and Service Review Activity](#)