



AG + OPEN SPACE
SONOMA COUNTY

SONOMA COUNTY OPEN SPACE FISCAL OVERSIGHT COMMISSION

COMMISSIONERS

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SEVENTH ANNUAL REPORT

May 2, 2019

Board of Directors

Sonoma County Agricultural Preservation and Open Space District

575 Administration Drive

Santa Rosa, CA 95403

Dear Board Members:

This letter constitutes the Fiscal Oversight Commission's ("Commission") Seventh Annual Report as required by Board of Supervisors' Resolution No. 10-0832 dated December 7, 2010. The report covers the period from June 2, 2017 to March 31, 2019.

This report was approved by the Commission at its meeting held on May 2, 2019.

Respectfully submitted,

Regina De La Cruz

Sonoma County Open Space Fiscal Oversight Commission Chair

cc: **Mr. William J. Keene** Sonoma County Agricultural Preservation and Open Space District General Manager
Mr. Erick Roeser Sonoma County Auditor-Controller Treasurer-Tax Collector
Mr. Bruce Goldstein Sonoma County Counsel
Ms. Sheryl Bratton Sonoma County Administrator

Executive Summary

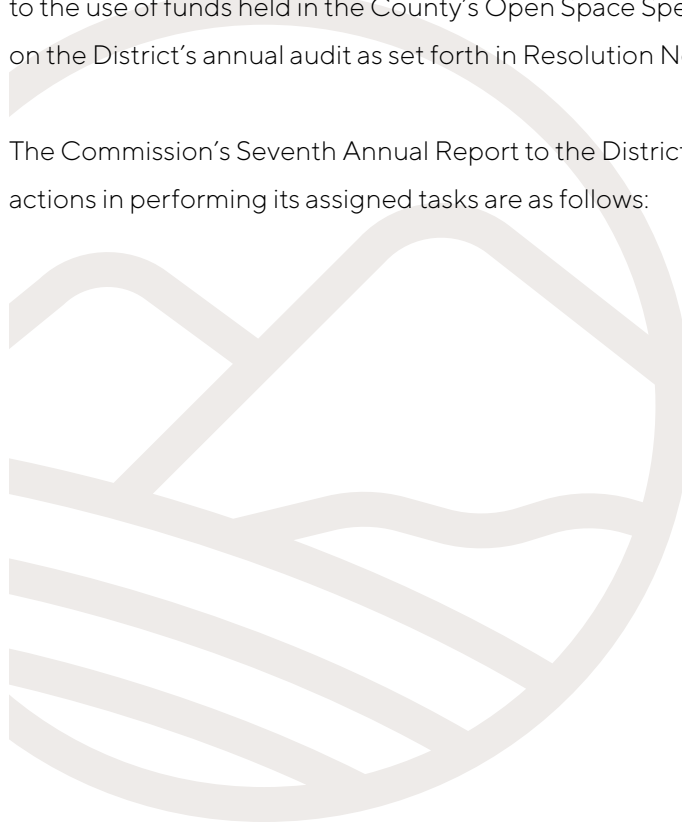
During this reporting period the Commission has received no information of any transfer of funds other than for the reasonable value of goods and services provided by the County to the District, and no Measure F funds were directly or indirectly appropriated or transferred to the County's General Fund for other than reasonable value of goods and services.

After review of audit reports and agreements on the District's expenditures for operations and maintenance on recreational properties, it appears the District is in compliance with the expenditure plan and Resolution 16-0040. The Commission has also determined that the District is continuing to utilize the County's procurement practices, and is in compliance with Generally Accepted Accounting Principles (GAAP) regarding procurement.

Background

Following the voters' approval of Measure F in 2006, the Board of Supervisors reorganized the Sonoma County Open Space Authority into the current Commission effective April 1, 2011. As part of that reorganization, the Commission is required to perform certain fiscal oversight duties with respect to the use of funds held in the County's Open Space Special Tax Account, and to review and comment on the District's annual audit as set forth in Resolution No. 10-0832.

The Commission's Seventh Annual Report to the District's Board of Directors on the Commission's actions in performing its assigned tasks are as follows:



A. Role of Commission

In conjunction with the periodic audits of the District, the Commission shall serve as an audit committee in order to determine: (1) that no Measure F funds are directly or indirectly appropriated or transferred to the County's General Fund for other than reasonable value of goods and services, (2) that District's expenditures for operations and maintenance on recreational properties are in compliance with the expenditure plan and Resolution 16-0040, Initial Public Access Operations and Maintenance (IPAOM) Policy adopted February 2, 2016, and (3) determine whether or not the District's procurement practices assure that it is paying reasonable prices for appropriate goods and services and providing sufficient detail to provide an audit trail.

1. Transfer of funds and reasonable value of goods and services

During this reporting period, the Commission's Annual Report/Audit Review subcommittee met as needed to review the reports issued by the District's external audit firm, Maze and Associates, and the Sonoma County Auditor-Controller-Treasurer-Tax Collector's office. The reports reviewed were for the fiscal year ended June 30, 2018 and included audited Basic Financial Statements, the Independent Accountant's Report on Applying Agreed upon Procedures for IPAOM related transactions, the Memorandum on Internal Control and Required Communications, and the Measure F Government Code Section 50075.3 Reporting. These reports are available on the District's website using the link shown below.

2. The subcommittee made several edits to clarify the wording of the Basic Financial Statements

The Basic Financial Statements provided a clean audit opinion, and to date, the Commission has received no information of any such transfer of funds other than for the reasonable value of goods and services provided by the County to the District.

Initial Public Access Operations and Maintenance Expenditures

The Commission is required to review District Initial Public Access- Operations and Maintenance expenditures for compliance with the 2006 Expenditure Plan and the District's implementing policies. Over the past several years, the process for recording and reviewing these expenditures has been enhanced. The Commission participated in the development of the District processes, as well as in the development of the policy adopted by the District's Board on February 2, 2016. For fiscal year 2017-18 Maze & Associates, the District's independent auditing firm, conducted a transaction review, involving expenditures coded to the operations



and maintenance fund, and seven transfer agreements between the District and the entity receiving the transferred property. The Initial Public Access Operation and Maintenance (IPAOM) review was completed on November 2, 2018. There were no findings nor any communications indicating that there were any concerns regarding the accuracy of the staff account coding for invoices or timecards. The District provides on-going account coding instruction to staff to ensure that these expenditures, and all others, are coded correctly.

3. Procurement Practices

The commission reviewed the Memorandum on Internal Control and Required Communications issued by Maze & Associates for the 2017-18 fiscal year, which did not report any material weaknesses or deficiencies identified during the audit regarding procurement practices or other material processes. The District's practice is to follow the County's procurement practices. The Commission has determined that the District is continuing to utilize the County's procurement practices. The General Manager is satisfied that the practice meets the District's needs.

B. Respond to requests from the Board of Directors for Advice

During this report period, there were no requests for advice from the District Board. The Commission has received and dealt with the following matters as requested by the District's General Manager. Following is a summarization of the activities addressed by the Commission during this reporting period. Appraisal Reviews are shown in Task F below.

June 1, 2017:

- Review of monthly financial reports and Consolidated District and OSSTA Budget to Actual for the ten months ended April 20, 2017
- Discussion of the District's sales tax analysis, "Q4 Sonoma County Measure F Sales Tax Update" prepared by HdL Companies
- Annual Report/Audit Review subcommittee reviewed draft of 6th Annual Report to Board of Directors
- Finance/Investment Subcommittee reviewed policy restrictions related to investment opportunities and long-term funding of easement costs
- Reviewed the California Coastal Trail Segments funding Agreement and Kashia Coastal Reserve Recreation Covenant
- Paulin Creek Update



August 3, 2017:

- Review of District’s Countywide Voter Survey conducted by FM3
- Vital Lands Initiative Update

October 5, 2017:

- Review of monthly financial reports
- Stewardship Reserve Fund model review, presented by the Center for Natural Lands Management
- Review and approval of the County’s Mark West Creek Regional Park and Open Space Preserve Initial Public Access Operation and Maintenance

January 18, 2018:

- Review of monthly financial reports
- Review of the SCAPOSD Pooled Investment Program – First Quarter 2017-2018
- Annual Report/Audit Review Subcommittee reviewed annual report

February 8, 2018:

- Review of the District’s role and response to the 2017 Sonoma County Complex fires

March 8, 2018:

- Review of the June 30, 2017 Audited Financial Report
- Review of the monthly financial reports
- Discussion of the Q3 HdL Sonoma County Measure F Sales Tax Update

March 22, 2018:

- Joint Meeting with the Advisory Committee
- Vital Lands Initiative Presentation & Discussion

May 3, 2018:

- Review of monthly financial reports
- Review of the District and OSSTA Budget to Actual for the nine months ending March 31, 2018

July 19, 2018:

- Review of monthly financial reports
- Presentation of the challenges faced by Regional Parks by Bert Whitaker



September 20, 2018:

- Review of monthly financial reports
- Report of Ad Hoc Matching Grant Committee meeting, \$4 million set aside for potential funding, which included \$2 million for fire recovery
- Review of the Mark West Properties Transfer and request from Regional Park for IPAOM funding

October 4, 2018:

- Review of monthly financial reports
- Presentation of the District's recommended recipients of the current Matching Grant Program

November 1, 2018:

- Review of monthly financial reports
- Annual Report/Audit Review Subcommittee reviewed annual report
- Loyd de Llamas, Executive Chairman of HdL and Associates, reviewed the process for the State's collection and distribution of transaction taxes, and provided comparative data analysis for the last few years
- Discussion of the Stewardship Update and Reserve BOD agenda item
- Discussion of open space easements

December 6, 2018:

- Review of monthly financial reports
- Discussion of the appraisal for 747 Mendocino Ave, District Office

January 17, 2019:

- Review of monthly financial reports
- Review of Basic Financial Statements for the Fiscal Year ended June 30, 2018, the Memorandum on Internal Control, and the Independent Accountants Report on Applying Agreed Upon Procedures related to IPAOM

February 7, 2019:

- Review of monthly financial reports
- Approval of the appraisal for 747 Mendocino Ave, District Office

For more details of the Commission's effort on the above matters, please refer to the Commission's meeting agendas and minutes. A link is provided at the end of this report.



C. Preview District Borrowing Transactions

For this reporting period there were no borrowing transactions to preview.

D. District's Annual Audit

The Commission's Audit Report Review Committee examined the District's Fiscal Year 2017-18 Audit Report as prepared by Maze & Associates. As part the refunding of the Measure F Sales Tax Revenue Bonds in Fiscal Year 2015-16, the strategy proposed by the Commission to use the existing Stewardship Reserve fund, and other funds to pay down bond principal, shorten the term, and fund the Stewardship Reserve fund at the end of the debt issue was implemented. During this reporting period the Commission discussed the need to continue to document the original intent of the change in term and principal amount for the purpose of funding the Stewardship Reserve at the end of the debt issue. The audited financial statements continue to discuss details of the strategy in NOTE 5 of the Annual Audited Financial Statements, as does the monthly internal financial statements.

E. Annual Report to the Board of Directors

This report reviews, endorses and comments on of the following:

- The District's annual audit
 - The County Auditor's Annual Report on the Activities of the District (Government Code §50075.3)
 - Administration of the Stewardship Reserve Fund
 - Comments on other matters regarding the District's compliance with Measure F
1. As discussed throughout this report, the Commission did participate in the selection of the District's external auditor and has reviewed and commented on the District's Basic Financial Statements, Memorandum on Internal Control and Agreed Upon Procedures relating to Initial Public Access Operations and Maintenance transactions. For the fiscal year ending June 30, 2018 there were no findings or recommendations from the audit firm Maze and Associates regarding District accounting, financial reporting, or internal control processes.



2. As of the date of this report, District staff in conjunction with the Sonoma County Auditor prepared the report for the period ending June 30, 2018. The Commission's Annual Report/ Audit Report Review Committee reviewed the report and is satisfied that it summarizes the Measure F annual sales tax revenue and allowable expenditures, and pending project status. The Commission recommended in the prior year that the District add this report to its website in the Budget and Financial section and that has been done.
3. Regarding the Stewardship Reserve Fund, as part of the Measure F Bond Refunding there are presently no funds in the Stewardship Reserve Fund. The July 1, 2015 issuance of the County of Sonoma Measure F Sales Tax Refunding Bonds, Series 2015, provided a savings of \$13.6 million, in part by following the Commission's recommendation of paying down \$30 million in principal, as well as obtaining a lower interest rate. The Commission recommended using the \$10 million in the Stewardship Reserve Fund as part of the \$30 million pay down. Additionally, the Commission directed use of the \$7.5 million annual savings resulting from the shortened term to fund the Stewardship Reserve beginning in the fiscal year 2024-2025. FOC Minute Order #13 dated May 14, 2015 reflects this direction.
4. To date, no information has come to the attention of the Commission showing noncompliance with Measure F.

F. Appraisal Review

During the term of this report the Commission reviewed the following real property appraisals for compliance with the District's Appraisal Guidelines and Standards and, when appropriate, reported its comments to the District's General Manager for consideration by the Board of Directors:

Rips Redwoods Conservation Easement (June 1, 2017)

McCullough 2 Property Acquisition (March 8, 2018)

Wendle Property Acquisition (April 5, 2018)

Cresta 3 Property Acquisition (April 5, 2018)

Mattos Dairy Conservation Easement (May 3, 2018)

Donnell Ranch Conservation Easement (July 19, 2018)

Graton Community Park Matching Grant (July 19, 2018)

River Lane Matching Grant (July 19, 2018)

Weeks Ranch North and South Conservation Easement (October 4, 2018)



Links:

BOARD OF SUPERVISORS' MEETING MINUTES FROM DECEMBER 7, 2010

<https://www.sonomaopenspace.org/wp-content/uploads/2015/05/Board-Reso-10-0832.FOC-Role.Responsibilities.pdf>

RESOLUTIONS 10-0832, 10-0833, 10-0834

<http://sonoma-county.granicus.com/MetaViewer.php?view%20id=2&clip%20id=130&meta%20id=41975>

SONOMA COUNTY AGRICULTURAL PRESERVATION AND OPEN SPACE DISTRICT'S BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

http://www.sonomaopenspace.org/wp-content/uploads/Audit_Report_17-18.pdf

SONOMA COUNTY AGRICULTURAL PRESERVATION AND OPEN SPACE DISTRICT MEMORANDUM ON INTERNAL CONTROL AND REQUIRED COMMUNICATIONS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

http://www.sonomaopenspace.org/wp-content/uploads/SCPOSD_MOIC-FY17-18.pdf

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED UPON PROCEDURES FOR SONOMA COUNTY AGRICULTURAL PRESERVATION AND OPEN SPACE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2018

http://www.sonomaopenspace.org/wp-content/uploads/Review_of_IPAOM_Fund_Transactions.pdf_FY_17-18.pdf

SONOMA COUNTY OPEN SPACE DISTRICT FISCAL OVERSIGHT COMMISSION'S ROLE, RULES OF GOVERNANCE, MEETING AGENDAS & MINUTES

<http://www.sonomaopenspace.org/who-we-are/board-and-advisors/fiscal-oversight-commission/>

OFFICIAL STATEMENT COUNTY OF SONOMA MEASURE F SALES TAX REVENUE BONDS ISSUED NOVEMBER 2007

<http://emma.msrb.org/MS61446-MS262167-MD505658.pdf>

COUNTY OF SONOMA AGENDA ITEM SUMMARY REPORT ON THE 2007 MEASURE F SALES TAX REVENUE BONDS REFUNDING

http://sonoma-county.granicus.com/MetaViewer.php?view_id=2&clip_id=505&meta_id=162825

COUNTY OF SONOMA MEASURE F SALES TAX REVENUE REFUNDING BONDS SERIES 2015 A (LIMITED TAX BONDS - AGRICULTURAL PRESERVATION AND OPEN SPACE)

<http://emma.msrb.org/EA725772-EA569231-EA965212.pdf>

SONOMA COUNTY AGRICULTURAL PRESERVATION AND OPEN SPACE DISTRICT'S BOARD OF DIRECTORS' FEBRUARY 2, 2016 MEETING AGENDA ITEM #27 INITIAL PUBLIC ACCESS, OPERATIONS AND MAINTENANCE POLICY@ 1:17 MINUTE MARKER ON MEETING VIDEO

<http://sonoma-county.granicus.com/MediaPlayer.php?view%20id=2&clip%20id=581>

