

**SONOMA COUNTY OPEN SPACE
FISCAL OVERSIGHT COMMISSION**

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June 1, 2017

Board of Directors
Sonoma County Agricultural Preservation and Open Space District
575 Administration Drive
Santa Rosa, CA 95403

Re: 2016 Annual Report

Dear Board Members:

This letter constitutes the Fiscal Oversight Commission's (Commission) Sixth Annual Report as required by Board of Supervisors' Resolution No. 10-0832 dated December 7, 2010. The report covers the period from February 29, 2016 to date.

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. In the Fifth Report of the Commission review, efforts were focused on the legal services provided to the District by the Sonoma County Counsel's Office and several recommendations were made. Progress on those recommendations are discussed in this report.

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

Commission's Sixth Annual Report

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, 2016 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, with significant input regarding NOTE 5-Intergovernmental Revenue and Open Space Special Tax Account, primarily as it related to the July 2015 refunding of the 2007 Measure F Sales Tax Revenue Bonds. 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.

In the fifth annual report, the Commission focused on the legal services provided to the District by the Sonoma County Counsel's Office. The Commission recommended that

District staff (1) execute a written agreement outlining the scope of legal services to be provided to the District, (2) that County Counsel submits a memo to the District outlining the procedures in place that prevent conflict of interest by County Counsel regarding the District's business and the County's business, and (3) that County Counsel works with the County Administrator's Office to enhance the manner of board meetings, so the public can more easily determine when the Board is acting as the District's Board versus the County's Board or another entity's Board, and that the corresponding meeting minutes clearly identify the governing body.

During this reporting period, District staff worked with County Counsel to define the terms of the service level agreement. The District anticipates the agreement will be completed in the coming months. The District also anticipates the agreement will address the Commission's concerns regarding conflicts of interest relating to County business. Regarding the last recommendation pertaining to Board meetings, the Commission's concerns were conveyed to County Counsel and have resulted in several discussions between District and County Counsel staff regarding potential procedural changes during meetings that will increase the public's ability to recognize when the Board is acting as the District's Board of Directors. As a result of these discussions the Board now calls out what Boards they are representing at the beginning of each meeting.

3. ***Operations and Maintenance Expenditures.*** The Commission is required to review District 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 2015-16 Maze & Associates, the District's independent auditing firm, conducted a transaction review, involving expenditures coded to the operations and maintenance fund, and six transfer agreements between the District and the entity receiving the transferred property. The Initial Public Access Operation and Maintenance (IPAOM) review was completed on December 2, 2016. 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. In the fiscal year 2015-16, the Commission recommended in-service training for staff on proper account coding. The training was implemented and has been on-going.
4. ***Procurement Practices.*** The commission reviewed the Memorandum on Internal Control and Required Communications issued by Maze & Associates 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.

1. February 4, 2016: Report out on the Commission meeting with Director Efren Carrillo, County Counsel Bruce Goldstein, and the District General Manager to convey the results of the Commission's review of legal services provided to the District and discussion of the items mentioned in Task A (1) above.
2. March 3, 2015: Review of the fifth annual report; planning session focused on the activities, responsibilities and relationship between the District and County.
3. April 4, 2016: Review of East Washington Park Matching Grant; approval of updated Rules of Governance.
4. May 5, 2016: Review of monthly financial reports; review of Irwin Creek Restoration Matching Grant Agreement.
5. June 2, 2016: Review of monthly financial reports; study session on 2016 priorities resulting in a list of topics of importance.
6. July 21, 2016: Review of monthly financial reports; SMART Matching Grant Agreement; funding request for Pole Mountain Initial Public Access Operation and Maintenance; Cooley Ranch outings.
7. September 8, 2016: Review of monthly financial reports; discussion of sales tax reporting and economic trends with the District's recently contracted sales tax consultant Lloyd de Llamas, Executive Chairman of HdL and Associates.
8. October 13, 2016: Review of monthly financial reports; and discussion of completion of external audit; recommendations on funding of Matching Grant projects.
9. December 1, 2016: Review of monthly financial reports; draft Mitigation Policy; request for review of revised Mitigation Policy.
10. January 26, 2017: Joint Special meeting with the District Advisory Committee; discussion of revised draft Mitigation Policy.
11. February 9, 2017: Review of monthly financial reports; continued discussion on draft Mitigation Policy.

12. March 2, 2017: Review of monthly financial reports; continued discussion on draft Mitigation Policy.
13. April 6, 2017: Review of monthly financial reports; review of proposals for external audit and recommendation to award the contract to Maze & Associates; viewing of the Founders Film shown at County-wide Vital Lands Initiative Meetings;; continued discussion on the Stewardship Reserve Fund calculation.

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 FY 15/16 Audit Report as prepared by Maze & Associates. As part the refunding of the Measure F Sales Tax Revenue Bonds in FY15-16, 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 NOTE 5 details the strategy.

E. Annual Report to the Board of Directors. This report documents review, comments and endorsement of (a) the District's annual audit (b) the County Auditor's Annual Report on the Activities of the District (Government Code §50075.3), (c) administration of the Stewardship Reserve Fund and (d) comments on other matters regarding the District's compliance with Measure F.

- a) As discussed throughout this report, the Commission has participated 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, 2016 there were no findings or recommendations from the audit firm Maze and Associates regarding District accounting, financial reporting, or internal control processes.
- b) As of the date of this report, the Sonoma County Auditor has prepared the report for the period ending June 30, 2016. The Commission's Annual Report/Audit Report Review Committee has 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 recommends that the District add this report to its website in the Budget and Financial section.

- c) Regarding the Stewardship Reserve Fund, as part of the Measure F Bond Refunding there are presently no funds in the Stewardship Reserve Fund. As discussed previously, and detailed in Note 5 of the Basic Financial Statements, the Commission is currently reviewing the model for calculating the Stewardship Reserve Fund requirement, and has recommended replenishing the fund at the end of the refunded debt or earlier.
- d) To date, no information has come to the attention of the Commission showing non-compliance with Measure F.

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

- a) Hansen Ranch (Feb. 4, 2016)
- b) Stewarts Point (April 7, 2016)
- c) Colgan Creek Phase 2c and 2d (May 5, 2016)
- d) Wendle (Sept. 8, 2016 and Oct. 13, 2016)
- e) Howlett Ranch (January 5, 2017 and February 9, 2017)
- f) Cresta III (February 9, 2017)
- g) Hansen Ranch (February 9, 2017)
- h) Lang Exchange (March 2, 2017 and April 6, 2017 –no action taken as yet)

This report was approved by the Commission at its meeting held on June 1, 2017.

Respectfully submitted,



Todd Mendoza

Sonoma County Open Space Fiscal Oversight Commission Chair

cc: Mr. Bill Keene, Sonoma County Agricultural Preservation and Open Space
District General Manager
Ms. Donna Dunk, Sonoma County Auditor-Controller Treasurer-Tax Collector
Mr. Bruce Goldstein, Sonoma County Counsel
Ms. Sheryl Bratton, Sonoma County Administrator

Links:

Board of Supervisors' Meeting Minutes from December 7, 2010

<http://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_id=2&clip_id=130&meta_id=41975

Sonoma County Agricultural Preservation and Open Space District's Basic Financial Statements for the Fiscal Year Ended June 30, 2016

http://www.sonomaopenspace.org/wp-content/uploads/Audit_Report_15-16.pdf

Sonoma County Agricultural Preservation and Open Space District Memorandum on Internal Control and Required Communications for the Fiscal Year Ended June 30, 2016

<http://www.sonomaopenspace.org/wp-content/uploads/SCAPOS-D-MOIC-FY15-16.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, 2016

http://www.sonomaopenspace.org/wp-content/uploads/Review_of_IPAOM_Fund_Transactions.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_id=2&clip_id=581