AGENDA

SPECIAL MEETING OF THE BOARD OF TRUSTEES
May 15, 2019 | 5:00 p.m. | Conference Room

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the administration office at (951) 849-3192. Notification 72 hours prior to the meeting will enable the library to make reasonable arrangements to ensure accessibility to this meeting.

1. **Open Session/Call to order**

2. **Pledge of Allegiance**

3. **Roll Call/Establishment of Quorum**

4. **Community Comment**—Only on items listed in Agenda per California Government Code Section 54954.3(a)

PLEASE STATE YOUR NAME AND ADDRESS FOR THE RECORD—A five-minute limitation shall apply to each member of the public who wishes to address the Library Trustees ONLY ON ITEMS LISTED IN THE AGENDA under the subject jurisdiction of the Trustees. A thirty-minute limit is placed on this section. No member of the public shall be permitted to “Share” their five minutes with any other person of the public. Usually, any items received under this heading are referred to staff for future study, or research, completion of future action by the trustees.

5. **Consent Calendar**

Items on the Consent Calendar are not discussed individually but are approved as a group with a single motion. The President may remove an item from the Consent Calendar for separate discussion upon request by a Trustee or member of the public wishing to speak on a specific item on the Consent Calendar. If an item is pulled, it shall be considered after the remaining items on the Consent Calendar items are voted upon.

6. **Discussion/Action**

   6.1 Presentation of Audit for FY 2017-2018 (James Martha & Company) Attached

   6.2 Consideration of Revised Contract for Finance Services with Platinum Consulting Group Not to Exceed $43,000 Exhibit 6.2
7. **Interim Director's Report**

The Library Administration is encouraged to report on items of information to the Board, as well as provide information about conferences or meetings they have attended. Other items, which may be added to the agenda of a future meeting, may be presented at this time but cannot be commented upon or discussed at this meeting. *(Reference: The Ralph M. Brown Act)*

8. **Board Member Comments**

Board members are encouraged to report on items of information not requiring comment or discussion to the entire body at this time. *(Reference: The Ralph M. Brown Act)*

9. **Last Minute Action Items**

The Board may discuss an item, which was not previously placed on the agenda when the Board determines that there is a need for immediate action which cannot reasonably wait for the next regularly scheduled meeting. The determination must be made by two-thirds of the total Board or, if two-thirds of the Board is no present, by a unanimous vote of those remaining. *(Reference: The Ralph M. Brown Act)*

10. **Next Regular Board Meeting**

    June 5, 2019

11. **Adjournment**
BANNING LIBRARY DISTRICT
FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2018
## TABLE OF CONTENTS

### BANNING LIBRARY DISTRICT

### BOARD OF TRUSTEES

**JUNE 30, 2018**

<table>
<thead>
<tr>
<th>Name</th>
<th>Office</th>
<th>Term Expires December</th>
</tr>
</thead>
<tbody>
<tr>
<td>Victoria Hatch</td>
<td>President</td>
<td>2018</td>
</tr>
<tr>
<td>Kathy Little</td>
<td>Secretary</td>
<td>2018</td>
</tr>
<tr>
<td>Donna Harrington</td>
<td>Board member</td>
<td>2018</td>
</tr>
<tr>
<td>Jessica Santa Cruz-Alcno</td>
<td>Board member</td>
<td>2020</td>
</tr>
<tr>
<td>Mike Rose</td>
<td>Board member</td>
<td>2020</td>
</tr>
</tbody>
</table>

### ADMINISTRATION

Dan Rodriguez  
Interim Director
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent Auditor's Report</td>
<td>1</td>
</tr>
<tr>
<td>Management's Discussion and Analysis</td>
<td>3</td>
</tr>
<tr>
<td><strong>Basic Financial Statements:</strong></td>
<td></td>
</tr>
<tr>
<td>Government-wide Financial Statements:</td>
<td></td>
</tr>
<tr>
<td>Statement of Net Position</td>
<td>7</td>
</tr>
<tr>
<td>Statement of Activities</td>
<td>8</td>
</tr>
<tr>
<td>Fund Financial Statements:</td>
<td></td>
</tr>
<tr>
<td>Balance Sheet – Governmental Funds</td>
<td>9</td>
</tr>
<tr>
<td>Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position</td>
<td>10</td>
</tr>
<tr>
<td>Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds</td>
<td>11</td>
</tr>
<tr>
<td>Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities</td>
<td>12</td>
</tr>
<tr>
<td>Notes to the Basic Financial Statements</td>
<td>13</td>
</tr>
<tr>
<td><strong>Required Supplementary Information</strong></td>
<td></td>
</tr>
<tr>
<td>Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP) and Actual - General Fund</td>
<td>23</td>
</tr>
<tr>
<td>Notes to Required Supplementary Information</td>
<td>24</td>
</tr>
<tr>
<td><strong>Other Independent Auditor’s Report</strong></td>
<td></td>
</tr>
<tr>
<td>Independent Auditor’s Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed In Accordance With Government Auditing Standards</td>
<td>25</td>
</tr>
<tr>
<td>Schedule of Findings and Recommendations</td>
<td>26</td>
</tr>
</tbody>
</table>
INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Banning Library District
Banning, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and general fund of Banning Library District (the District) as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the District’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the basic financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the State Controller’s Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the basic financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the basic financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.
Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and general fund of Banning Library District as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the State Controller’s Office and state regulations governing special districts.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that Management’s Discussion and Analysis and Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget (Non-GAAP) and Actual - General Fund be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted principally of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Prior Period Restatement

As described in Note 1 to the financial statements, the District does not include the funds and activity of a separate non-profit organization, which required a restatement of net position as of July 1, 2017. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 3, 2019 on our consideration of Banning Library District’s internal control over financial reporting and our tests of its compliance with provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Banning Library District’s internal control over financial reporting and compliance.

James Marta & Company LLP

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
May 3, 2019
MANAGEMENT’S DISCUSSION AND ANALYSIS
BANNING LIBRARY DISTRICT

MANAGEMENT’S DISCUSSION AND ANALYSIS

JUNE 30, 2018

This section of the Banning Library District’s (The District) annual report is provided as required supplementary information to the audited financial statements. It is Management’s intention that this information provides the financial statement reader with a brief and concise overview and analysis of the District’s financial activities for the fiscal year ended, June 30, 2018.

Overview of the Financial Statements
This annual report consists of the Management Discussion and Analysis, Financial Statements and Notes to those statements, and the required supplementary information. These statements are organized to present the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities. Readers should also review the accompanying notes to the financial statements to enhance their understanding of the District’s financial performance.

The statement of net position and statement of activities provide an indication of the District’s financial health. The statement of net position includes all of the District assets and liabilities, using accrual-based accounting. The statement of activities reports all of the revenues and expenses during the time period indicated that resulted from the District’s operating transactions during the fiscal year.

Profile and Government Structure
The Banning Library was originally a part of the Banning Unified School District and in January 2006 the Banning Library District became an independent district with an elected Board of Trustees. The District operates under the California Education Code Sections 19400 et.seq. and 19600 et.seq. The Board of Trustees consists of five members elected at-large for four-year terms. Election of Board members occur in even numbered years. The Board of Trustees President is selected by the Board of Trustees for the term of the Board Members’ appointment. The District Director is responsible for the administration of policies and directives approved by the Board of Trustees. The District Director has the responsibility to hire, promote and terminate the staff.

The Banning Library District is located in Rancho San Gorgonio Pass which is between Riverside and San Bernardino counties. The Library District boundaries include the entire incorporated territory of the City of Banning and portions of unincorporated Riverside County.
BANNING LIBRARY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

Condensed Statement of Net Position

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
<th>Increase (Decrease)</th>
<th>Percentage Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Assets</td>
<td>$1,825,375</td>
<td>$1,830,851</td>
<td>$(5,476)</td>
<td>-0.30%</td>
</tr>
<tr>
<td>Capital assets, net</td>
<td>465,203</td>
<td>468,498</td>
<td>(3,295)</td>
<td>-0.70%</td>
</tr>
<tr>
<td>Total Assets</td>
<td>2,290,578</td>
<td>2,299,349</td>
<td>(8,771)</td>
<td>-0.38%</td>
</tr>
<tr>
<td>Current Liabilities</td>
<td>33,429</td>
<td>126,659</td>
<td>(93,230)</td>
<td>-73.61%</td>
</tr>
<tr>
<td>Long-term liabilities</td>
<td>7,853</td>
<td>5,188</td>
<td>2,665</td>
<td>51.37%</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>41,282</td>
<td>131,847</td>
<td>(90,565)</td>
<td>-68.69%</td>
</tr>
</tbody>
</table>

Net position:
Net investment in capital assets 465,203 468,498 (3,295) -0.70%
Unrestricted 1,784,093 1,699,004 85,089 5.01%

Total Net Position $2,249,296 $2,167,502 $81,794 3.77%

Condensed Statement of Activities

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
<th>Increase (Decrease)</th>
<th>Percentage Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program revenues:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Charges for services</td>
<td>$16,966</td>
<td>$17,512</td>
<td>$(546)</td>
<td>-3.12%</td>
</tr>
<tr>
<td>Operating grants and contributions</td>
<td>11,410</td>
<td>7,957</td>
<td>3,453</td>
<td>45.19%</td>
</tr>
<tr>
<td>Total program revenues</td>
<td>28,376</td>
<td>25,109</td>
<td>3,267</td>
<td>13.01%</td>
</tr>
<tr>
<td>Expenses</td>
<td>906,541</td>
<td>1,028,603</td>
<td>(122,062)</td>
<td>-11.87%</td>
</tr>
<tr>
<td>Net (expense) revenues</td>
<td>(878,165)</td>
<td>(1,003,494)</td>
<td>125,329</td>
<td>-12.49%</td>
</tr>
<tr>
<td>General revenues:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property taxes</td>
<td>955,753</td>
<td>914,696</td>
<td>41,057</td>
<td>4.49%</td>
</tr>
<tr>
<td>Use of money and property</td>
<td>9,352</td>
<td>8,163</td>
<td>1,189</td>
<td>14.57%</td>
</tr>
<tr>
<td>Total general revenues</td>
<td>965,105</td>
<td>922,859</td>
<td>42,246</td>
<td>4.58%</td>
</tr>
<tr>
<td>Change in net position</td>
<td>86,940</td>
<td>(80,635)</td>
<td>167,575</td>
<td>-207.82%</td>
</tr>
<tr>
<td>Net position, July 1, 2017</td>
<td>2,162,356</td>
<td>2,248,317</td>
<td>(85,961)</td>
<td>-3.82%</td>
</tr>
<tr>
<td>Net position, June 30, 2018</td>
<td>$2,249,296</td>
<td>$2,167,682</td>
<td>$81,614</td>
<td>3.77%</td>
</tr>
</tbody>
</table>
Financial Highlights for Fiscal Year 2017/2018
The Library District receives the majority of its revenue from property taxes (99%) with the balance from charges for services and grants. The District received the benefit of housing sales plus new residential and commercial growth within the boundaries of the District. In 2017-2018 the City of Banning property taxes increased by 5.76 percent which is a significant contributor to the amount of property tax growth of the District. The significant financial activities of the fiscal year were:

- Total assets decreased $8,771 in 2018.
- Total liabilities decreased $90,565 in 2018 due to the payment of a settlement accrued in the prior year.
- Overall revenues increased $45,513 in 2018 due to an increase in property taxes collected.
- Expenses were $125,329 less in 2018 due to a decrease in salaries.
- All capital acquisitions are recorded as assets on the District’s Statement of Net Position, and appropriate depreciation of those assets is recorded as depreciation expense. The District added $24,901 of new capital assets in 2018 and total depreciation expense was $28,196.

The District Director resigned in May 2017. Since that time there have been several Interim Directors to lead the Organization. The Interim Director and Bookkeeper presented the Fiscal Year 2018-2019 budget for adoption by the Board. Said Interim Director left the District in early October. In November the previous Board of Trustees retained the services of MuniTemps to provide an Interim Director to assist the District, organize the financial and personnel records and to provide the new Board of Trustees with the information in order to properly prepare for the next fiscal year. The agreement was for a period of two months. After December, the previous Board of Trustees extended the contract for two more months. Said Interim Director terminated the Bookkeeper and the functions were given to an internal staff member. In February 2019, the new Board of Trustees did not extend MuniTemps services. In February 2019, the New Board of Trustees made the Librarian the Interim Director. The District is in the process of obtaining assistance from a CPA firm to implement fiscal accountability and transparency.

Budget vs Actual
Property taxes were $148,453 more than budgeted and overall revenues were $171,581 over budget. Salaries and benefits were $334,504 under budget and overall expenses were $427,419 under budget. As a result, net income for the year was $92,900 versus a projected budget deficit of $506,100.

Economic Outlook
Property tax revenue is the majority of the District’s revenue and remains the most stable revenue source. The City of Banning approved the Rancho San Gorgonio Specific Plan in 2015, which consists of an 831 acre residential development that will add 3,385 residential units. The Rancho San Gorgonio development will continue to add property tax growth for both the City of Banning and Library District over the next decade. Given the anticipated growth of this subdivision within the District and based upon the present pace of growth it is anticipated that the property taxes will increase by 3.5 percent in 2019.
Additional Financial Information
This financial report is designed to provide the District’s citizens, investors and other interested parties with an overview of the District’s financial operations and the District’s financial condition as of June 30, 2018. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the Banning Library District at 21 West Nicolet Street, Banning, California 92220 or (951) 849-3192.
BASIC FINANCIAL STATEMENTS
BANNING LIBRARY DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2018

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>Governmental Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 1,766,363</td>
</tr>
<tr>
<td>Property taxes receivable</td>
<td>27,804</td>
</tr>
<tr>
<td>Interest receivable</td>
<td>3,092</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>11,195</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>16,921</td>
</tr>
<tr>
<td>Capital assets, net of accumulated depreciation</td>
<td>465,203</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>2,290,578</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>23,405</td>
</tr>
<tr>
<td>Accrued payroll liabilities</td>
<td>10,024</td>
</tr>
<tr>
<td>Long-term liabilities:</td>
<td></td>
</tr>
<tr>
<td>Due within one year</td>
<td></td>
</tr>
<tr>
<td>Due in more than one year</td>
<td>7,853</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>41,282</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NET POSITION</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net investment in capital assets</td>
<td>465,203</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>1,784,093</td>
</tr>
<tr>
<td><strong>Total Net Position</strong></td>
<td><strong>$ 2,249,296</strong></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
BANNING LIBRARY DISTRICT

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

<table>
<thead>
<tr>
<th>Governmental Activities</th>
<th>Program Revenues</th>
<th>Net (Expense) Revenues and Changes in Net Position</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Expenses</td>
<td>Charges for Services</td>
</tr>
<tr>
<td>Library services</td>
<td>$ 878,345</td>
<td>$ 16,966</td>
</tr>
<tr>
<td>Depreciation</td>
<td>$ 28,196</td>
<td>$ -</td>
</tr>
<tr>
<td>Total governmental activities</td>
<td>$ 906,541</td>
<td>$ 16,966</td>
</tr>
</tbody>
</table>

General Revenues

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Property taxes</td>
<td>955,753</td>
</tr>
<tr>
<td>Use of money and property</td>
<td>9,352</td>
</tr>
<tr>
<td>Total general revenues</td>
<td>965,105</td>
</tr>
</tbody>
</table>

Change in net position

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in net position</td>
<td>86,940</td>
</tr>
<tr>
<td>Net Position, July 1, 2017, as restated</td>
<td>$ 2,162,356</td>
</tr>
<tr>
<td>Net Position, June 30, 2018</td>
<td>$ 2,249,296</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
# BANNING LIBRARY DISTRICT

## BALANCE SHEET – GENERAL FUND

**JUNE 30, 2018**

<table>
<thead>
<tr>
<th>Assets</th>
<th>General Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and equivalents</td>
<td>$ 1,766,363</td>
</tr>
<tr>
<td>Property taxes receivable</td>
<td>27,804</td>
</tr>
<tr>
<td>Interest receivable</td>
<td>3,092</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>11,195</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>16,921</td>
</tr>
<tr>
<td>Total Assets</td>
<td>$ 1,825,375</td>
</tr>
</tbody>
</table>

## LIABILITIES

<table>
<thead>
<tr>
<th>Liabilities</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>$ 23,405</td>
</tr>
<tr>
<td>Accrued payroll liabilities</td>
<td>10,024</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>33,429</td>
</tr>
</tbody>
</table>

## FUND BALANCE

<table>
<thead>
<tr>
<th>Fund balances</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Nonspendable</td>
<td>16,921</td>
</tr>
<tr>
<td>Unassigned</td>
<td>1,775,025</td>
</tr>
<tr>
<td>Total Fund Balances</td>
<td>1,791,946</td>
</tr>
<tr>
<td>Total liabilities and fund balances</td>
<td>$ 1,825,375</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
BANNING LIBRARY DISTRICT

RECONCILIATION OF THE GENERAL FUND BALANCE SHEET TO THE STATEMENT OF NET POSITION

JUNE 30, 2018

Total fund balances - governmental funds $ 1,791,946

Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

Capital assets: In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.

| Capital assets at historical cost | $ 1,030,669 |
| Accumulated depreciation          | (565,466)   |
| Net                               | 465,203     |

Long-term liabilities: in governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

| Compensated absences payable      | (7,853)     |

Total net position, governmental activities: $ 2,249,296

The accompanying notes are an integral part of these financial statements.
# BANNING LIBRARY DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

**GENERAL FUND**

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

<table>
<thead>
<tr>
<th>General Fund</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES</strong></td>
<td></td>
</tr>
<tr>
<td>Property taxes</td>
<td>$ 955,753</td>
</tr>
<tr>
<td>Charges for current services</td>
<td>16,966</td>
</tr>
<tr>
<td>Use of money and property</td>
<td>9,352</td>
</tr>
<tr>
<td>Aid from private parties</td>
<td>11,410</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>993,481</td>
</tr>
<tr>
<td><strong>EXPENDITURES</strong></td>
<td></td>
</tr>
<tr>
<td>Salaries and benefits</td>
<td>381,996</td>
</tr>
<tr>
<td>Utilities</td>
<td>36,972</td>
</tr>
<tr>
<td>Services and supplies</td>
<td>427,348</td>
</tr>
<tr>
<td>Capital outlay</td>
<td>54,265</td>
</tr>
<tr>
<td><strong>Total expenditures</strong></td>
<td>900,581</td>
</tr>
<tr>
<td><strong>Excess(deficiency) of revenues over expenditures</strong></td>
<td>92,900</td>
</tr>
<tr>
<td><strong>Fund balances, July 1, 2017 (As restated)</strong></td>
<td>1,699,046</td>
</tr>
<tr>
<td><strong>Fund balances, June 30, 2018</strong></td>
<td>$ 1,791,946</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
BANNING LIBRARY DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF THE GENERAL FUND TO THE STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Total net change in fund balances - governmental funds $ 92,900

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

| Expenditures for capital outlay: $ 24,901 |
| Depreciation expense: (28,196) |
| ________________________________ ________________ |
| (3,295) |

Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measure by the amounts earned. The difference between compensated absences paid and compensated absences earned was:

| ________________________________ |
| (2,665) |

Total change in net position - governmental activities $ 86,940

The accompanying notes are an integral part of these financial statements.
1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The Banning Library District (the District) formerly a component unit of the Banning Unified School District Library District was formed in 1916 under the California Education Code Sections 19400 et.seq. and 19600 et.seq. Effective January 2006, the District became an independent District with an elected Board of Trustees. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governments and to general practice within California Special Districts. The District accounts for its financial transactions in accordance with the policies and procedures of the State Controller's Office Division of Local Government Fiscal Affairs Minimum Audit Requirements and Reporting Guidelines for California Special Districts.

B. BASIS OF PRESENTATION

Government-wide Financial Statements

The statement of net position and the statement of activities display financial information about the District. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities.

The government-wide statement of net position presents information on all of the District's assets and liabilities, with the difference between the two presented as net position. Net position is reported as three categories as applicable: net investment in capital assets, restricted and unrestricted. Restricted net position is further classified as either net position restricted by enabling legislation or net position that is otherwise restricted.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are, therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Depreciation expense is not allocated by function. Interest on long-term liabilities is considered an indirect expense and is reported separately in the Statement of Activities.

B. BASIS OF PRESENTATION (CONTINUED)
Fund Financial Statements

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements are met. Expenses are recorded when liabilities are incurred.

Governmental Fund Financial Statements

Governmental fund financial statements (i.e. balance sheet and statement of revenues, expenditures and changes in fund balances) are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Available” means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, “available” means collectible within the current period or within 60 days after year-end.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used, or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

D. FUND ACCOUNTING
The accounts of the District are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District reports the following governmental fund:

**General Fund** is the general operating fund of the District. It is used to account for all transactions except those required or permitted by law to be accounted for in another fund.

**E. BUDGETS AND BUDGETARY ACCOUNTING**

By State law, the District's Governing Board must adopt a tentative budget no later than July 1 and adopt a final budget no later than October 1. A public hearing must be conducted to receive comments prior to adoptions. The District's Governing Board satisfied these requirements. These budgets are revised by the District's Governing Board during the year to give consideration to unanticipated income and expenditures. It is this final revised budget that is presented in the financial statements. Formal budgetary integration was employed as a management control devise during the year for all budgeted funds. The District employs budget control by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object accounts. Appropriations do not carry-over from year to year.

**F. CASH AND CASH EQUIVALENTS**

The District considers cash on hand, cash in banks and the county treasury to be cash and cash equivalents.

**G. ACCOUNTS RECEIVABLE**

The District extends credit to customers in the normal course of operations. When management deems customer accounts uncollectible, the District uses the allowance method for the reservation and write-off of those accounts.

**H. COMPENSATED ABSENCES**

The District's policy is to permit employees to accumulate earned vacation and carry over a maximum of 120 hours into the next fiscal year. Sick leave benefits are accumulated for each employee. The employees do not gain a vested right to accumulated sick leave. Accumulated employee sick leave benefits are not recognized as liabilities of the District since cash payment of such benefits is not probable. Therefore, sick leave benefits are recorded as expenditures in the period that sick leave is taken.
BANNING LIBRARY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

I. CAPITAL ASSETS

Capital assets are recorded at cost, or if contributed, at estimated value at time of acquisition. Depreciation is recognized on buildings, furniture, fixtures, equipment and subsurface lines by the straight-line method over their estimated useful lives. Estimated useful lives are as follows:

- Buildings and improvements: 10 - 40 years
- Land improvements: 15 - 40 years
- Equipment: 5 - 10 years

Effective July 26, 2017, District policy is to capitalize all assets, which cost $5,000 or more with an expected useful life of more than one year. Prior to that the capitalization threshold was $500. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend lives are also expensed in the current period.

J. PROPERTY TAXES

Property taxes are assessed under various legislative provisions, contained in the Government Code and the Revenue and Taxation Code, by the County Assessor and State Board of Equalization. Taxes on real property are limited to one percent of assessed valuation, plus additional taxes for repayment of any existing voted indebtedness. The County of Riverside in accordance with statutory formulas collects and distributes the taxes to the District.

The District receives property taxes under the Teeter Plan, whereby the County of Riverside determines the amounts due and pays the District ratably throughout the year with the County, bearing the risk of delinquent property taxes and retaining any interest and penalties earned thereon.

Secured property taxes are levied on or before the first business day of September of each year. They become a lien on real property on the January 1st preceding the fiscal year for which taxes are levied and can be paid in two installments. The first installment is due November 1st and delinquent December 10th, and the second installment is due February 1st of the following year and is delinquent April 10th. Unsecured personal property taxes are due January 1st, and become delinquent if unpaid on August 13th.

K. PRIOR PERIOD RESTATEMENT

In prior years, the District was including the cash balance and financial activity of the “Friends of the Banning Library”, a separate 501(c)3 organization. Upon further review, it was determined that this organization should not be reported with the District general fund activity. As a result the prior period fund balance and net position was reduced and restated by $5,146.
BANNING LIBRARY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

I. INCOME TAXES

The District is a governmental entity and as such its income is exempt from taxation under Section 115(1) of the Internal Revenue Code and Section 23701d of the California and Taxation Code. Accordingly, no provision for federal or state income taxes has been made in the accompanying financial statements.

M. FUND BALANCE

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", the District is required to report fund balances in the following categories: Nonspendable, Restricted, Committed, Assigned and/or Unassigned.

Nonspendable Fund Balance reflects assets not in spendable form, either because they will never convert to cash (prepaid expense) or must remain intact pursuant to legal or contractual requirements.

Restricted Fund Balance reflects amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed Fund Balance reflects amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority: the Board of Trustees. Commitments may be established, modified, or rescinded only through resolutions approved by the Board of Trustees.

Assigned Fund Balance reflects amounts intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Under the District’s adopted policy, only the Board of Trustees is authorized to assign amounts for specific purposes.

Unassigned Fund Balance represents the residual classification for the government’s general fund and includes all spendable amounts not contained in the other classifications.

When expenditures are incurred for purposes of which restricted, committed, assigned and unassigned fund balances are available, the District considers restricted funds to have been spent first, followed by committed, assigned and unassigned, respectively.

The District has an expenditure policy relating to fund balances. For purposes of fund balance classifications, expenditures are to be spent from restricted fund balances first, followed in order by committed fund balances (if any), assigned fund balances and lastly unassigned fund balances.
N. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

2. CASH AND INVESTMENTS

Cash and cash equivalents as of June 30, 2018 consisted of the following:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash on hand</td>
<td>$ 672</td>
</tr>
<tr>
<td>Cash in bank</td>
<td>1,081,390</td>
</tr>
<tr>
<td>Cash in County Treasury</td>
<td>684,301</td>
</tr>
<tr>
<td>Total Cash and Cash Equivalents</td>
<td>$ 1,766,363</td>
</tr>
</tbody>
</table>

The carrying amount of the District’s cash is covered by federal depository insurance up to $250,000. Should deposits exceed the insured limits, the balance is covered by collateral held by the bank in accordance with California law requiring the depository bank to hold collateral equal to 110% of the excess government funds on deposit.

Cash in County Treasury

The District maintains a majority of its cash in the Riverside County Treasury. The County pools and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited annually into participating funds. Any investment losses are proportionately shared by all funds in the pool. Because the District’s deposits are maintained in a recognized pooled investment fund under the care of a third party and the District’s share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required. In accordance with applicable state laws, the Riverside County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2018, the Riverside County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The monies held in the county treasury are not subject to categorization by risk category. It is also not rated as to credit risk by a nationally recognized statistical rating organization.
BANNING LIBRARY DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

2. CASH AND INVESTMENTS (Continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

3. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 is as follows:

<table>
<thead>
<tr>
<th></th>
<th>Balance June 30, 2017</th>
<th>Additions</th>
<th>Deletions</th>
<th>Balance June 30, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital assets not subject to depreciation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>$ 67,893</td>
<td>$</td>
<td>$</td>
<td>$ 67,493</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total capital assets not subject to depreciation</td>
<td>67,893</td>
<td>-</td>
<td>-</td>
<td>67,493</td>
</tr>
<tr>
<td>Capital assets being depreciated</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings</td>
<td>478,915</td>
<td>24,901</td>
<td>-</td>
<td>503,316</td>
</tr>
<tr>
<td>Land improvements</td>
<td>220,588</td>
<td>-</td>
<td>-</td>
<td>220,588</td>
</tr>
<tr>
<td>Equipment</td>
<td>238,372</td>
<td>-</td>
<td>-</td>
<td>238,372</td>
</tr>
<tr>
<td>Total capital assets being depreciated</td>
<td>937,875</td>
<td>24,901</td>
<td>-</td>
<td>962,776</td>
</tr>
<tr>
<td>Less accumulated depreciation for:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings</td>
<td>(282,288)</td>
<td>(14,655)</td>
<td>-</td>
<td>(296,943)</td>
</tr>
<tr>
<td>Land improvements</td>
<td>(27,502)</td>
<td>(10,635)</td>
<td>-</td>
<td>(38,137)</td>
</tr>
<tr>
<td>Equipment</td>
<td>(227,480)</td>
<td>(2,996)</td>
<td>-</td>
<td>(230,476)</td>
</tr>
<tr>
<td>Total accumulated depreciation</td>
<td>(537,270)</td>
<td>(28,190)</td>
<td>-</td>
<td>(565,460)</td>
</tr>
<tr>
<td>Total capital assets, net of depreciation</td>
<td>$ 468,498</td>
<td>$ (3,295)</td>
<td>$</td>
<td>$ 465,203</td>
</tr>
</tbody>
</table>

Depreciation for the year ended June 30, 2018 was $28,196. The entire amount of depreciation expense was unallocated in the statement of activities.
BANNING LIBRARY DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

4. LONG-TERM LIABILITIES

The District’s long-term liabilities consisted of accrued compensated absences. A schedule of changes in long-term liabilities for the year ended June 30, 2018 is as follows:

<table>
<thead>
<tr>
<th></th>
<th>Balance July 1, 2017</th>
<th>Additions</th>
<th>Deductions</th>
<th>Balance June 30, 2018</th>
<th>Within One Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compensated Absences</td>
<td>$5,188</td>
<td>$2,665</td>
<td>-</td>
<td>$7,853</td>
<td>-</td>
</tr>
</tbody>
</table>

5. DEFERRED COMPENSATION

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full time employees, permits deferment of a portion of current salary to future years. Benefits from the plan are not available to employees until termination, retirement, disability, death or unforeseeable emergencies. All assets and income of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries. The District does not meet the criteria for fiduciary fund reporting since it does not have either significant administrative involvement (e.g. custody) or perform the investment function. Amounts contributed to the Plan by the District for the year ended June 30, 2018 were $13,956.

6. FUND BALANCES

The District follows GASB Statement No. 54, which redefined how fund balances of the governmental funds are presented in the financial statements. The following schedule is a summary of the components of the ending fund balance by fund type at June 30, 2018:

Nonspendable:
Prepaid Expenditures $16,921

Unassigned:
Unassigned/Unappropriated 1,775,025

Total Fund Balances $1,791,946
7. COMMITMENTS

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

Operating Leases

The District has entered into various operating leases that extend beyond the current fiscal year. Lease expenses incurred for the year ended June 30, 2018 were $16,213. Future minimum lease payments under these agreements are as follows:

<table>
<thead>
<tr>
<th>Year Ended June 30</th>
<th>Total Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$ 15,962</td>
</tr>
<tr>
<td>2020</td>
<td>15,962</td>
</tr>
<tr>
<td>2021</td>
<td>14,740</td>
</tr>
<tr>
<td>2022</td>
<td>9,204</td>
</tr>
<tr>
<td></td>
<td><strong>$ 55,868</strong></td>
</tr>
</tbody>
</table>

8. SUBSEQUENT EVENTS

District management has evaluated its June 30, 2018 financial statements for subsequent events through May 3, 2019, the date the financial statements were available to be issued. Management is not aware of any subsequent events that would require recognition or disclosure in the financial statements.
REQUIRED SUPPLEMENTARY INFORMATION
## BANNING LIBRARY DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

**BUDGET AND ACTUAL – GENERAL FUND**

**FOR THE YEAR ENDED JUNE 30, 2018**

<table>
<thead>
<tr>
<th></th>
<th>Budget Original</th>
<th>Budget Final</th>
<th>Actual</th>
<th>Variance Favorable (Unfavorable)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property taxes</td>
<td>$807,300</td>
<td>$807,300</td>
<td>$955,753</td>
<td>$148,453</td>
</tr>
<tr>
<td>Charges for current services</td>
<td>10,000</td>
<td>10,000</td>
<td>16,966</td>
<td>6,966</td>
</tr>
<tr>
<td>Use of money and property</td>
<td>4,600</td>
<td>4,600</td>
<td>9,352</td>
<td>4,752</td>
</tr>
<tr>
<td>Aid from private parties</td>
<td>-</td>
<td>-</td>
<td>11,410</td>
<td>11,410</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>821,900</td>
<td>821,900</td>
<td>993,481</td>
<td>171,581</td>
</tr>
<tr>
<td><strong>EXPENDITURES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries and benefits</td>
<td>716,500</td>
<td>716,500</td>
<td>381,996</td>
<td>334,504</td>
</tr>
<tr>
<td>Utilities</td>
<td>36,000</td>
<td>36,000</td>
<td>36,972</td>
<td>(972)</td>
</tr>
<tr>
<td>Services and supplies</td>
<td>278,500</td>
<td>515,500</td>
<td>427,348</td>
<td>88,152</td>
</tr>
<tr>
<td>Capital outlay</td>
<td>60,000</td>
<td>60,000</td>
<td>54,265</td>
<td>5,735</td>
</tr>
<tr>
<td><strong>Total expenditures</strong></td>
<td>1,091,000</td>
<td>1,328,000</td>
<td>900,581</td>
<td>427,419</td>
</tr>
<tr>
<td>Excess(deficiency) of revenues over expenditures</td>
<td>(269,100)</td>
<td>(506,100)</td>
<td>92,900</td>
<td>599,000</td>
</tr>
<tr>
<td>Fund balances, July 1, 2017</td>
<td>1,699,046</td>
<td>1,699,046</td>
<td>1,699,046</td>
<td>-</td>
</tr>
<tr>
<td>Fund balances, June 30, 2018</td>
<td>$1,429,946</td>
<td>$1,192,946</td>
<td>$1,791,946</td>
<td>$599,000</td>
</tr>
</tbody>
</table>
Budgetary Basis of Accounting

Budgets for the operating fund are prepared on the cash and expenditures/encumbrances basis. Revenues are budgeted in the year receipt is expected; expenditures are budgeted in the year that the applicable warrant requisitions are expected to be issued. The budget and actual financial statements are reported on the above basis, with no material differences between them.

Annual budget requests are submitted by the District's staff to the District Board of Trustees for preliminary review and approval. After public hearing, a final budget is approved by the District Board of Trustees, with a resolution adopting said budget. Copies of the approved budget are sent to all required agencies.

The budgeted amounts shown have been prepared on a budgetary basis which differs from generally accepted accounting principles. The final district budget reports that the District had overspent its budget in certain categories.
OTHER INDEPENDENT AUDITOR’S REPORT
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

Independent Auditor’s Report

Board of Trustees
Banning Library District
Banning, California

We have audited, in accordance with auditing standards generally accepted in the United States of
America and the standards applicable to financial audits contained in Government Auditing Standards
issued by the Comptroller General of the United States, the financial statements of Banning Library
District (the “District”), as of and for the year ended June 30, 2018, and the related notes to the financial
statements, which collectively comprise the District’s basic financial statements, and have issued our

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District’s internal
control over financial reporting (internal control) to determine the audit procedures that are appropriate in
the circumstances for the purpose of expressing our opinions on the financial statements, but not for the
purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we
do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph
and was not designed to identify all deficiencies in internal control that might be material weaknesses or
significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were
not identified. However, as described in the accompanying Schedule of Findings and Recommendations,
we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow
management or employees, in the normal course of performing their assigned functions, to prevent, or
detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination
of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement
of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. We
consider the deficiencies described in the accompanying Schedule of Findings and Recommendations to
be material weaknesses: 2018-1 through 2018-9.
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Response to Findings

Banning Library District’s responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Recommendations. Banning Library District’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

James Marta & Company LLP

May 3, 2019
BANNING LIBRARY DISTRICT

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

2018-1 Preparation of Financial Statements – Material Weakness

Finding:
Management required the assistance of the auditors in identifying year-end accrual adjustments and preparation of the financial statements and footnotes. It is management’s responsibility for the accuracy of the financial statements and any related footnotes and disclosures.

Recommendation:
Management should create a monthly and annual closing checklist to assist in the preparation of financial statements, which includes the accrual adjustments necessary to comply with generally accepted accounting principles.

Management Response:
District will work with a CPA to develop proper procedures to follow auditor’s recommendation.

2018-2 Capital Asset Management – Material Weakness

Finding:
The District did not maintain the capital asset and depreciation schedule during the year. The District had the prior auditor maintaining the schedule, which is an impairment of independence. Also, the District’s policy (3030) requires an annual inventory of all capital assets. It also requires the District’s records to include a photo, asset number, manufacturer’s serial number and location. An inventory has not been done and the asset listing does not contain all the required information to properly identify the assets. We identified several assets on the District’s schedule of assets that no longer exist or are non-functional.

Recommendation:
Management now has the current capital asset and depreciation schedule. Each month this schedule should be updated and reconciled with the accounting system. Management should also complete an inventory of the assets and document the information required by the District’s policy.

Management Response:
District will work with a CPA to develop proper procedures to follow auditor’s recommendation.
BANNING LIBRARY DISTRICT

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

2018-3 Purchasing/Cash Disbursements – Material Weakness

Finding:
1. The District does not use purchase orders or purchase requisitions to obtain and document pre-approval of all purchases.
2. There is not process in place for comparing purchase requests against the budget to ensure funds are available.
3. Disbursements are entered into the accounting system when the invoice is paid instead of recording the invoice in the period to which it applies. This can lead to an understatement of expenses and liabilities.
4. There is no receiving record documented prior to the payment of invoices.
5. There is no process in place to approve vendors.
6. The owner of D&B Consulting services was approving payment of invoices to his company.
7. The District’s purchasing policy (policy #3080) does not address any of the items noted above nor does it address potential contracts requiring bids.

Recommendation:
The District should implement purchase orders or purchase requisitions to ensure all goods and services ordered are preapproved. This will also allow the authorized signer to verify and document that funds are available in the budget.

Invoices should be entered into the accounting in the period for which goods and services are provided. This will ensure that expenses and payable are recorded in the proper accounting period.

When goods or services are received, the District should document the date of receipt and attach the documentation to the invoice for payment.

All vendors should go through a vetting process that requires approval from the Director prior to using their services.

All invoices and disbursements should be approved by someone independent of the service provider.

The District should review and update its purchasing policy to ensure the above items are addressed as well as bid requirements. The policy should address who can initiate purchases, who can approve purchases, and who can authorize payment.

Management Response:
District Director will obtain a credit card after a credit card policy is adopted. Said policy is developed by the District Director and approved by the Board. Debit cards will be eliminated. A purchase form will be created. All orders will be approved by the District Director and processed by the Library Administrator.

District will work with a CPA to develop proper procedures to follow auditor’s recommendation.

Vetting process and forms are under development. All vendor agreements must be approved by the District Director.

Staff will recommend a policy before the Board.
BANNING LIBRARY DISTRICT

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

2018-4 Cash Receipts/Billing – Material Weakness

Finding:
Receipts are only given and copies are only kept in certain circumstances which are (1) when patrons pay fines for lost books, and (2) when patrons specifically ask for receipts after making a purchase. As the receipts are handwritten and carbon paper is used, receipt copies are only kept in the same circumstances listed above. The employee working the cash register keeps a list of which denominations of bills and coins are collected, but does not list the source of the cash. The District does not have a process in place for reconciling the cash collected to the cash deposited in the bank.

The District does not have any policy addressing the cash receipts or billing process to ensure proper segregation of duties and sufficient internal controls.

Recommendation:
To adequately safeguard cash and ensure completeness, the District should complete pre-numbered receipts for all patron payments even when not requested in order to keep adequate records of sales revenue and sources of cash collections. These receipts should specify the dollar amount of the sale as well as a description of the items sold or fine paid. An employee independent of cash collections should perform a reconciliation of receipts to cash deposited to ensure that all cash is deposited and the amount is accurate.

The District should develop a formal policy for billing, cash collection, deposits and reconciliations to ensure adequate segregation of duties and controls.

Management Response:
The Circulation Manager or designee will do the closing audit. The Library Administrator will reconcile the receipts in the morning. A staff member will verify the Library Administrator’s work.

Proper bank deposit documentation form is under development, along with proper procedure to ensure there is proper segregation of duties and internal controls.

The District will develop a formal policy for billing, cash collection, deposits and reconciliation to ensure adequate segregation of duties and controls.

Staff will recommend a policy before the Board.
2018-5 Payroll – Material Weakness

Finding:
There are currently no controls in place over time entry. Cards are used to punch in and out but there is no form of password or other verification in place.

The District uses an outside payroll service. Currently, there are no checks in place to ensure that the system is paying people at the correct rates and for the correct number of hours worked. There is also currently no system of review in place to ensure that employees entered into the payroll system are valid and that information for valid employees is accurate. Finally, there is no process in place for recalculating vacation and sick leave hours to ensure these hours are tracking and accruing correctly.

There is currently no process in place referring to standard procedures for employee terminations. This could result in steps in the termination process being missed, which can lead to several negative consequences, including terminated employees having access to District assets, login information continuing to give them access, and other risks.

There is no formal documentation or authorization requirement for changes to employee pay rates. Pay rate changes are sent via email from the Director.

There is currently no policy covering the use of a payroll service, authorization for setting up employees and pay rates, reviewing each payroll and reconciliation of payroll accounts.

Recommendation:
The District should implement an additional verification step such as a password, PIN, or security camera directed at the machine in order to ensure employees are actually clocking in and one employee is not clocking in or out for multiple people.

The District should develop a process to ensure that the third-party payroll system is working as intended. Performing reconciliations and reviews of the examples listed above will help to ensure employees are being paid the correct amount and that compensated absences are being tracked correctly.

The District should create a formal checklist for management to complete in the event that an employee is terminated. This provides assurance that when the termination process begins, all necessary steps are taken to ensure terminated employees have their access restricted in a timely manner.

The District should utilize a personnel action form to document the hiring of new employees and any changes to payroll or benefits of the employees. These forms should be reviewed and approved by the Director prior to making entries into the payroll system.

The District should adopt a formal written policy addressing all the items noted above to ensure adequate controls over payroll.
BANNING LIBRARY DISTRICT

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Management Response:
District will use a third-party vendor for time entry. It would require a PIN to clock in and clock out.

The third-party vendor would be integrated with the current payroll system. Employees will be required to request time off (vacation, sick, etc.) from their payroll accounts. All requests must be approved by the District Director.

A formal termination checklist is under development.

A formal hiring checklist is under development. Documents for any changes, such as payroll, benefits or wages are also under development.

Staff will recommend a policy before the Board.

2018-6 Journal Entries – Material Weakness

Finding:
The District does not have processes in place for the review or posting of journal entries in the accounting system or closing the books at year end. During the year, an outside CPA firm was coming in at least monthly to reconcile accounts and post journal entries as needed, without review.

Recommendation:
Management should create a control system for the journal entry and financial close cycle that includes a process of independent review and establishes standard procedures with regard to who is authorized to make journal entries and restrictions to the period in which they are posted. The year-end closing process should include a process for identifying cash receipts and disbursements after the year end cutoff date and accruing those that belong in the prior period. There should also be a process to ensure that all accounts are reconciled.

Management Response:
District will work with a CPA to develop proper procedures to follow auditor’s recommendation.

2018-7 Computer Server – Material Weakness

Finding:
The District’s server is located in the back area of the library alongside the employees. While this area is kept locked and restricted from the library patrons, the server is still kept in an open area where it can be accessed by all staff and in an area where employees are commonly walking. This puts the server at risk of being knocked over, spilled on, turned off, or accessed by employees without proper authority. We noted that a locked cabinet was purchased in order to keep the server secure. However, the cabinet purchased was too small to fit the server inside, and was not placed into use.

Recommendation:
The server should be moved to a secure location such as a locked closet with appropriate ventilation and fire safety controls. Access to the room should be limited only to those employees with the proper authority.
Management Response:
District will purchase a new server storage cabinet that is capable of being locked, with appropriate ventilation and fire safety controls. Only authorized employees will have access to them. An Authorization form is under development.

The storage cabinet will be moved to a restricted location.

2018-8 Bank Reconciliations – Material Weakness

Finding:
There are no procedures in place for performing cash reconciliations of the bank accounts and county treasury account.

Recommendation:
These reconciliations should be performed in a timely manner (within two weeks of month end) to facilitate proper control over the cash accounts as well as the receipt and disbursement process. The bank reconciliation is an important tool in gaining assurance that cash balances are properly stated and that any discrepancies are investigated and resolved in a timely manner.

Management Response:
District will work with a CPA to develop proper procedures to follow auditor’s recommendation.

2018-9 Accounts Receivable – Material Weakness

Finding:
The District sold an oil painting in December of 2017 for $11,195, which was not recorded until a check was received in July 2018. The amount should have been recorded as a receivable in fiscal year 2017/18. In addition, District staff were unable to locate supporting documentation and had to contact the buyer in order to obtain the appropriate documentation.

Recommendation:
Proper cutoffs are critical for the accuracy of accrual basis financial reporting. We suggest that management develop procedures to appropriately identify the correct period for transactions. It is also critical that the District maintain proper supporting documentation for all transactions. A clear system of document retention and file maintenance should be implemented. This will not only improve the efficiency of the audit process, it will also aid in strengthening internal controls over financial reporting.

Management Response:
District will work with a CPA to develop proper procedures to follow auditor’s recommendation.
BANNING LIBRARY DISTRICT

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

2018-10 Investment Policy

Finding:
The District’s investment policy (policy #3035) is included in the policy manual and is dated October 2015. California Government Code Section 53646 requires the board to annually review and approve its investment policy.

Recommendation:
The Board should put this on the calendar for review and approval at the same meeting each year.

Management Response:
Staff will recommend a policy before the Board.

2018-11 Petty Cash

Finding:
There is no formal documentation required for authorizing or requesting amounts from petty cash.

Recommendation:
The District should create a petty cash request form that would require the director’s authorization before petty cash is utilized. The District’s policy should also address who is responsible for handling the petty cash box. The Board may also want to consider whether or not petty cash is even necessary.

Management Response:
A petty cash form is under development.

District Director’s approval is required before petty cash is used. The Library Administrator or designee is responsible for handling the petty cash box.

2018-12 Paid Time Off / Vacation

Finding:
The District has a policy for paid time off (policy #5120) and vacation (policy #5120). The paid time off policy says it replaces all prior vacation and sick leave polices which have been combined into this new paid time off policy. This policy is dated February 2010. The vacation policy however is dated January 2014. We are unsure which policy is in effect.

Recommendation:
The Board needs to review these policies, clarify which one is applicable, remove the invalid policy and ensure the correct policy is implemented appropriately.

Management Response:
Staff will review previous minutes and adopt the correct policy. District may modify Paid Time Off/Vacation policy after a consultation with a CPA.

Staff will recommend a policy before the Board.
BANNING LIBRARY DISTRICT

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

2018-13 Job Description

Finding:
The District has two employees who are classified as library operations manager; however the policy manual does not include a job description for this position.

Recommendation:
The Board should update the policy manual to include this job description.

Management Response:
Library operations manager job descriptions will be requested to be removed from the policy manual. The two library operations managers will change their titles to reflect their current job duties.

Staff will recommend a policy before the Board.

2018-14 Expense/Travel Reimbursement

Finding:
The District’s travel (policy #3070) and expense (policy #4060) reimbursement policies do not indicate if a specific form is required to be completed along with attaching receipts. It also does not indicate if preapproval is required or who can approve the reimbursement request.

Recommendation:
The Board should update these policies to include a reimbursement request form that is approved by the Director and requires all receipts be attached prior to approval and reimbursement.

Management Response:
An Expense, Travel, and Mileage Reimbursement forms are under development. Reimbursements require 1) completed form 2) all receipts and 3) approval by the District Director.

Staff will recommend a policy before the Board.

2018-15 Reserve Policy

Finding:
The District’s reserve policy (policy #3091) adopted in July of 2017 does not address dollar amounts the District wishes to build up in its reserves nor does it designate any specific purpose for reserves.

Recommendation:
The Board should obtain and review a copy of California Special District’s Association Special District Reserve Guidelines. This guide can be used to develop a more comprehensive reserve policy that identifies the specific purpose of various reserve accounts as well as goals for specific dollar amounts of reserves needed for the long term.

Management Response:
Staff will provide Special District Reserve Guidelines to all Board Trustees. Staff will recommend a policy before the Board.
AGREEMENT
FOR PROFESSIONAL CONSULTANT SERVICES
ACCOUNTING CONSULTING SERVICES

THIS AGREEMENT is made and effective as of May ____, between the Banning Library District, a public body ("District") and Platinum Consulting Group ("Consultant"). In consideration of the mutual covenants and conditions set forth herein, the parties agree as follows:

1. TERM. This Agreement shall commence on May ____, 2019, and shall remain and continue in effect through May ____, 2020, unless sooner terminated pursuant to the provisions of this Agreement.

2. SERVICES. Consultant shall perform the services and tasks described and set forth in Exhibit A, attached hereto and incorporated herein as though set forth in full. Consultant shall complete the tasks according to the schedule of performance which is also set forth in Exhibit A.

3. PERFORMANCE. Consultant shall at all time faithfully, competently and to the best of his or her ability, experience, and talent, perform all tasks described herein. Consultant shall employ, at a minimum, generally accepted standards and practices utilized by persons engaged in providing similar services as are required of Consultant hereunder in meeting its obligations under this Agreement.

4. (Intentionally Omitted)

5. PAYMENT.

a. The District agrees to pay Consultant monthly, in accordance with the payment rates and terms and the schedule of payment as set forth in Exhibit B, Payment Rates and Schedule, attached hereto and incorporated herein by this reference as though set forth in full, based upon actual time spent on the above tasks. Any terms in Exhibit B other than the scope of work to be performed, payment rates and schedule of payment are null and void. This amount shall not exceed $43,000.00 for the total term of the Agreement unless additional payment is approved as provided in this Agreement.

b. Consultant shall not be compensated for any services rendered in connection with its performance of this Agreement which are in addition to those set forth herein, unless such additional services are authorized in advance and in writing by the Library Director. Consultant shall be compensated for any additional services in the amounts and in the manner as agreed to by Library Director and Consultant at the time District’s written authorization is given to Consultant for the performance of said services.

c. Consultant will submit invoices monthly for actual services performed. Invoices shall be submitted between the first and fifteenth business day of each month, for services provided in the previous month. Payment shall be made within thirty (30) days of receipt of each invoice as to all non-disputed fees. If the District disputes any of consultant’s fees it shall give written notice to Consultant within 30 days of receipt of an invoice of any disputed fees set forth on the invoice, and Consultant and the District shall thereafter meet and confer within ten (10) days after Consultant receives the District’s written notice of dispute in an attempt to resolve the dispute.
6. **SUSPENSION OR TERMINATION OF AGREEMENT WITHOUT CAUSE.**

   a. The District may at any time, for any reason, with or without cause, suspend or terminate this Agreement, or any portion hereof, by serving upon the Consultant at least ten (10) days’ prior written notice. Upon receipt of said notice, the Consultant shall immediately cease all work under this Agreement, unless the notice provides otherwise. If the District suspends or terminates a portion of this Agreement such suspension or termination shall not make void or invalidate the remainder of this Agreement.

   b. In the event this Agreement is terminated pursuant to this Section, the District shall pay to Consultant the actual value of the work performed **in accordance with this Agreement** up to the time of termination, provided that the work performed is of value to the District. Upon termination of the Agreement pursuant to this Section, the Consultant will submit an **final** invoice to the District pursuant to Section 4 **setting forth the work performed through the date of termination.**

7. **DEFAULT OF CONSULTANT.**

   a. The Consultant’s failure to comply with the provisions of this Agreement shall constitute a default. In the event that Consultant is in default for cause under the terms of this Agreement, District shall have no obligation or duty to continue compensating Consultant for any work performed after the date of default and can terminate this Agreement **in the manner specified in subdivision (b), below, immediately by written notice to the Consultant.** If such failure by the Consultant to make progress in the performance of work hereunder arises out of causes beyond the Consultant’s control, and without fault or negligence of the Consultant, it shall not be considered a default.

   b. If the Library Director or his delegate determines that the Consultant is in default in the performance of any of the terms or conditions of this Agreement, it shall serve the Consultant with written notice of the default. The Consultant shall have (10) days after service upon it of said notice in which to cure the default by rendering a satisfactory performance. In the event that the Consultant fails to cure its default within such period of time, the District shall have the right, notwithstanding any other provision of this Agreement, to terminate this Agreement without further notice and without prejudice to any other remedy to which it may be entitled at law, in equity or under this Agreement.

   c. If Consultant determines the District is in default in the performance of any of the terms or conditions of this Agreement, it shall serve the District with written notice of the default. The District shall have (10) days after service upon it of said notice in which to cure the default by rendering a satisfactory performance, including payment of any unpaid monies. In the event the District fails to cure its default within such period of time, the Consultant shall have the right, notwithstanding any other provision of this Agreement, to terminate this Agreement without further notice and without prejudice to any other remedy to which it may be entitled at law, in equity or under this Agreement.

8. **OWNERSHIP OF DOCUMENTS.**

   a. Consultant’s work product which is prepared solely for the purposes of this Agreement, whether in hard copy or electronic form, shall become the property of Client when Consultant has been fully compensated as set forth herein. Consultant may keep copies of all work product for its records.

   b. Consultant shall maintain complete and accurate records with respect to sales, costs, expenses, receipts and other such information required by District that relate to the performance of Consultant’s services under this Agreement. Consultant shall maintain adequate records of services provided in sufficient detail to permit an evaluation of Consultant’s services. All
such records shall be maintained in accordance with generally accepted accounting principles and shall be clearly identified and readily accessible. Consultant shall provide free access to the representatives of District or its designees at reasonable times to such books and records, shall give District the right to examine and audit said books and records, shall permit District to make transcripts therefrom as necessary, and shall allow inspection of all work, data, documents, proceedings and activities related to this Agreement. Such records, together with supporting documents, shall be maintained for a period of three (3) years after receipt of final payment.

c. Upon completion of, or in the event of termination or suspension of this Agreement, all original documents, computer files containing data generated for the work, and other documents prepared in the course of providing the services to be performed pursuant to this Agreement shall become the sole property of the District and may be used, reused or otherwise disposed of by the District without the permission of the Consultant. With respect to computer files containing data generated for the work, Consultant shall make available to the District, upon reasonable written request by the District and payment of any required licensing fees or equipment costs incurred by Consultant, the necessary computer software and hardware for purposes of accessing, compiling, transferring and printing computer files.

9. **INDEMNIFICATION.**

   a. The Consultant agrees to defend, indemnify, protect and hold harmless the District, its officers, officials, employees and volunteers from and against any and all claims, demands, losses, defense costs or expenses, including attorney fees and expert witness fees, or liability of any kind or nature which the District, its officers, agents and employees may sustain or incur or which may be imposed upon them for injury to or death of persons, or damage to property arising out of Consultant’s negligent or intentional acts or omissions arising out of or in any way related to the performance or non-performance of this Agreement, excepting only liability arising out of the negligence or intentional acts or omissions of the District or its officers, officials, employees or volunteers.

   b. In the event any claim or action is brought against District relating to Consultant’s performance or services rendered under this Agreement, Consultant shall render any reasonable assistance and cooperation which District might require.

   c. The District agrees to defend, indemnify, protect and hold harmless the Consultant, its officers, officials, employees and volunteers from and against any and all claims, demands, losses, defense costs or expenses, including attorney fees and expert witness fees, or liability of any kind or nature which the Consultant or its officers, agents and employees may sustain or incur or which may be imposed upon them for injury to or death of persons, or damage to property arising out of District’s negligent or intentional acts or omissions arising out of or in any way related to the performance or non-performance of this Agreement, excepting only liability arising out of the negligence or intentional acts or omissions of the Consultant or its officers, officials, employees or volunteers.

   d. In the event any claim or action is brought against Consultant relating to District’s performance under this Agreement, District shall render any reasonable assistance and cooperation which Consultant might require.

10. **INSURANCE REQUIREMENTS.** Consultant shall procure and maintain for the duration of the contract insurance against claims for injuries to persons or damages to property, which may arise from or in connection with the performance of the work hereunder by the Consultant, its agents, representatives, or employees.
a. **Minimum Scope of Insurance.** Coverage shall be at least as broad as:

(1) Insurance Services Office Commercial General Liability form No. CG 00 01 11 85 or 88.

(2) Insurance Services Office Business Auto Coverage form CA 00 01 06 92 covering Automobile Liability, code 1 (any auto). If the Consultant owns no automobiles, a non-owned auto endorsement to the General Liability policy described above is acceptable.

(3) Worker's Compensation insurance as required by the State of California and Employer's Liability Insurance. If the Consultant has no employees while performing under this Agreement, worker's compensation insurance is not required, but Consultant shall execute a declaration that it has no employees.

(4) Professional Liability Insurance shall be written on a policy form providing professional liability for the Consultant's profession.

b. **Minimum Limits of Insurance.** Consultant shall maintain limits no less than:

(1) General Liability: One million dollars ($1,000,000) per occurrence for bodily injury, personal injury and property damage. If Commercial General Liability Insurance or other form with a general aggregate limit is used, either the general aggregate limit shall apply separately to this project/location or the general aggregate limit shall be twice the required occurrence limit.

(2) Automobile Liability: One million dollars ($1,000,000) per accident for bodily injury and property damage.

(3) Worker's Compensation as required by the State of California; Employer's Liability: One million dollars ($1,000,000) per accident for bodily injury or disease.

(4) Professional Liability coverage: One million ($1,000,000) per claim and in aggregate.

c. **Deductibles and Self-Insured Retentions.** Any deductibles or self-insured retentions must be declared to and approved by the Library Director. At the option of the Library Director, either the insurer shall reduce or eliminate such deductibles or self-insured retentions as respects the District, its officers, officials, employees and volunteers; or the Consultant shall procure a bond guaranteeing payment of losses and related investigations, claim administration and defense expenses.

d. **Other Insurance Provisions.** The general liability and automobile liability policies are to contain, or be endorsed to contain, the following provisions:

(1) The District, its officers, officials, employees and volunteers are to be covered as additional insured's as respects: liability arising out of activities performed by or on behalf of the Consultant; products and completed operations of the Consultant; premises owned, occupied or used by the Consultant; or automobiles owned, leased, hired or borrowed by the Consultant. The coverage shall contain no special
limitations on the scope of protection afforded to the District, its officers, officials, employees or volunteers.

(2) For any claims related to this project, the Consultant's insurance coverage shall be primary insurance as respects the District, its officers, officials, employees and volunteers. Any insurance or self-insured maintained by the District, its officers, officials, employees or volunteers shall be excess of the Consultant's insurance and shall not contribute with it.

(3) Any failure to comply with reporting or other provisions of the policies including breaches of warranties shall not affect coverage provided to the District, its officers, officials, employees or volunteers.

(4) The Consultant's insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability.

(5) Each insurance policy required by this clause shall be endorsed to state that coverage shall not be suspended, voided, canceled by either party, reduced in coverage or in limits except after thirty (30) days' prior written notice by certified mail, return receipt requested, has been given to the District.

(6) Additional Insured—All policies, except for Worker's Compensation and Professional Liability policies, shall contain endorsements naming the District and their officers, employees, agents, and volunteers as additional insured parties with respect to liabilities arising out of the performance of Work hereunder. The additional insured endorsements shall also be primary and non-contributory.

(7) Waiver of Subrogation Rights - CONSULTANT shall require the carriers of Commercial General Liability, Automobile Liability and Worker's Compensation to waive all rights of subrogation against the District, and its officers, employees, agents and volunteers. Such insurance coverage provided shall not prohibit CONSULTANT's employees or agents from waiving the right of subrogation prior to a loss or claim. CONSULTANT hereby waives all rights of subrogation against the District.

e. Acceptability of Insurers. Insurance is to be placed with insurers with a current A.M. Best's rating of no less than A:VIII, and admitted and licensed to do business in the State of California, unless otherwise acceptable to the District. Self-insurance shall not be considered to comply with these insurance requirements.

f. Verification of Coverage. Consultant shall furnish the District with original endorsements effecting coverage required by this clause. The endorsements are to be signed by a person authorized by that insurer to bind coverage on its behalf. All endorsements are to be received and approved by the District before work commences. As an alternative to the District's forms, the Consultant's insurer may provide complete, certified copies of all required insurance policies, including endorsements affecting the coverage required by these specifications.
11. INDEPENDENT CONTRACTOR.

a. Consultant is and shall at all times remain as to the District a wholly independent contractor. The personnel performing the services under this Agreement on behalf of Consultant shall at all times be under Consultant's exclusive direction and control. Neither District nor any of its officers, employees, agents, or volunteers shall have control over the conduct of Consultant or any of Consultant's officers, employees, or agents except as set forth in this Agreement. Consultant shall not at any time or in any manner represent that it or any of its officers, employees or agents are in any manner officers, employees or agents of the District. Consultant shall not incur or have the power to incur any debt, obligation or liability whatever against District, or bind District in any manner.

b. No employee benefits shall be available to Consultant in connection with the performance of this Agreement. Except for the fees paid to Consultant as provided in the Agreement, District shall not pay salaries, wages, or other compensation to Consultant for performing services hereunder for District. District shall not be liable for compensation or indemnification (except as provided in Section 9(c)) to Consultant for injury or sickness arising out of performing services hereunder.

12. LEGAL RESPONSIBILITIES. The Consultant shall keep itself informed of all local, State and Federal ordinances, laws and regulations which in any manner affect those employed by it or in any way affect the performance of its service pursuant to this Agreement. Consultant is responsible for compliance with the Patient Protection and Affordable Care Act (2010), and District shall not be obligated to provide any health care coverage to Consultant. The Consultant shall at all times observe and comply with all such ordinances, laws and regulations. The District, and its officers and employees, shall not be liable at law or in equity occasioned by failure of the Consultant to comply with this section.

13. RELEASE OF INFORMATION.

a. To the extent provided by law, all information gained by Consultant in performance of this Agreement shall be considered confidential and shall not be released by Consultant without District's prior written authorization. Consultant, its officers, employees, agents or subcontractors, shall not without written authorization from the Library Director or unless requested by the District Attorney, voluntarily provide declarations, letters of support, testimony at depositions, response to interrogatories or other information concerning the work performed under this Agreement or relating to any project or property located within the District. Response to a subpoena or court order shall not be considered "voluntary" provided Consultant gives District notice of such court order or subpoena.

b. Consultant shall promptly notify District should Consultant, its officers, employees, agents or subcontractors be served with any summons, complaint, subpoena, notice of deposition, request for documents, interrogatories, request for admissions or other discovery request, court order or subpoena from any party regarding this Agreement and the work performed there under or with respect to any project or property located within the District. District retains the right, but has no obligation, to represent Consultant and/or be present at any deposition, hearing or similar proceeding. Consultant agrees to cooperate fully with District and to provide District with the opportunity to review any response to discovery requests provided by Consultant. However, District's right to review any such response does not imply or mean the right by District to control, direct, or rewrite said response.

14. NOTICES. Any notices which either party may desire to give to the other party under this Agreement must be in writing and may be given either by (I) personal service, (ii)
delivery by a reputable document delivery service, such as but not limited to, Federal Express, that provides a receipt showing date and time of delivery, or (iii) mailing in the United States Mail, certified mail, postage prepaid, return receipt requested, addressed to the address of the party as set forth below or at any other address as that party may later designate by Notice. Notice shall be effective upon delivery to the addresses specified below or on the third business day following deposit with the document delivery service or United States Mail as provided above.

To District:  
District  
Mailing Address:  
21 Nicolet Street.  
Banning, California 92220  
Attention: District Director

To Consultant:  
Cindy Byerrum  
Platinum Consulting Group,  
P.O. Box 1116  
Yucca Valley, CA 92286  
(909) 204-8858

15. **ASSIGNMENT.** The Consultant shall not assign the performance of this Agreement, nor any part thereof, nor any monies due hereunder, without prior written consent of the District. Upon termination of this Agreement, Consultant's sole compensation shall be payment for actual services performed up to, and including, the date of termination or as may be otherwise agreed to in writing between the Banning Library District Board of Trustees and the Consultant.

16. **LICENSES.** At all times during the term of this Agreement, Consultant shall have and maintain in full force and effect, all licenses required of it by law for the performance of the services described in this Agreement.

17. **GOVERNING LAW.** The District and Consultant understand and agree that the laws of the State of California shall govern the rights, obligations, duties and liabilities of the parties to this Agreement and also govern the interpretation of this Agreement. Any litigation concerning this Agreement shall take place in the Superior Court of the State of California for the County of Riverside, or if in federal court the United States District Court for the Central District of California, Eastern Division. Venue shall be established pursuant to local court rules.

18. **PROHIBITED INTEREST.** No officer, or employee of the District shall have any financial interest, direct or indirect, in this Agreement, the proceeds thereof, the Consultant, or Consultant's sub-contractors for this project, during his/her tenure or for one year thereafter. The Consultant hereby warrants and represents to the District that no officer or employee of the District has any interest, whether contractual, non-contractual, financial or otherwise, in this transaction, or in the business of the Consultant or Consultant's sub-contractors on this project. Consultant further agrees to notify the District in the event any such interest is discovered whether or not such interest is prohibited by law or this Agreement.

19. **ENTIRE AGREEMENT.** This Agreement contains the entire understanding between the parties relating to the obligations of the parties described in this Agreement. All prior or contemporaneous agreements, understandings, representations and statements, oral or written, are merged into this Agreement and shall be of no further force or effect. Each party is entering into this Agreement based solely upon the representations set forth herein and upon each party's own independent investigation of any and all facts such party deems material.
20. **AUTHORITY TO EXECUTE THIS AGREEMENT.** The person or persons executing this Agreement on behalf of Consultant warrants and represents that he or she has the authority to execute this Agreement on behalf of the Consultant and has the authority to bind Consultant to the performance of its obligations hereunder.

21. **SEVERABILITY.** If any provision of this Agreement is determined by a court of competent jurisdiction to be unenforceable in any circumstance, such determination shall not affect the validity or enforceability of the remaining terms and provisions hereof or of the offending provision in any other circumstance. Notwithstanding the foregoing, if the value of this Agreement, based upon the substantial benefit of the bargain for any party, is materially impaired, which determination made by the presiding court or arbitrator of competent jurisdiction shall be binding, then both parties agree to substitute such provision(s) through good faith negotiations.

22. **WAIVER.** The delay or failure of either party at any time to require performance or compliance by the other of any of its obligations or agreements shall in no way be deemed a waiver of those rights to require such performance or compliance. No waiver of any provision of this Agreement shall be effective unless in writing and signed by a duly authorized representative of the party against whom enforcement of a waiver is sought. The waiver of any right or remedy in respect to any occurrence or event shall not be deemed a waiver of any right or remedy in respect to any other occurrence or event, nor shall any waiver constitute a continuing waiver.

23. **CONSTRUCTION.** The parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises with respect to this Agreement, this Agreement shall be construed as if drafted jointly by the parties and in accordance with its fair meaning. There shall be no presumption or burden of proof favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Agreement.

24. **COSTS.** Each party shall bear its own costs and fees incurred in the preparation and negotiation of this Agreement and in the performance of its obligations hereunder except as expressly provided herein.

25. [Intentionally Omitted]

26. **ATTORNEYS’ FEES.** In the event that litigation is brought by any party in connection with this Agreement, the prevailing party shall be entitled to recover from the opposing party all costs and expenses, including reasonable attorneys’ fees, incurred by the prevailing party in the exercise of any of its rights or remedies hereunder or the enforcement of any of the terms, conditions, or provisions hereof.
IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed the day and year first above written.

BANNING LIBRARY DISTRICT

| Kevin Lee, Interim District Director |

Attest:

| Alex Geronimo, District Secretary |

Approved As to Form:

| Andrew L. Jared, General Counsel |

PLATINUM CONSULTING GROUP

| Cindy Byerrum, CPA President |
EXHIBIT A

TASKS TO BE PERFORMED

Consultant shall prepare an overall review of financial report, policies, practices, and make recommendations within thirty (30) days to for any necessary amendments to the scope of work set forth below.

Consultant shall utilize QuickBooks in scope of services for District.

Consultant shall be responsible for the following:
- Cash management and long-range financial planning
- Budget preparation
- Governing board reporting
- Recommend and monitor internal controls
- Bank reconciliation
- Review and approve all bank and investment account reconciliation
- Primary liaison with auditors
- Preparation of monthly financial statements
- Preparation of budget updates
- Preparation of reconciliations and financial statements/board packages
- Prepare 1099, state Controller’s Reports and other regulatory filings
- Attendance at meetings of the Board of Trustees as needed

TASKS EXCLUDED

Consultant shall not be responsible for the following:
- Payroll
- Human resources
- Accounts receivable
- Accounts payable
- Prepare and file federal and state tax returns

Consultant shall not be responsible for auditing the District’s accounting records or any documents.

Consultant will not be responsible for detecting fraud or errors. However, if in the scope of performing contract services Consultant does become aware of errors or fraud, Consultant shall notify management immediately.
EXHIBIT B

PAYMENT RATES AND SCHEDULE

Billing shall be monthly on a time and materials basis to be paid in accordance with Section 5(c) of the Agreement. Travel time to and from District in excess of one hour each way billed. Mileage expenses shall be charged at the IRS rate.

Hourly rates for team members shall be as follows:

- Cindy Byerrum, CPA: $175 per hour
- Cheryl Jubrey: $115 per hour
- Ian Berg: $110 per hour
- Scott Nelsen: $100 per hour
BANNING LIBRARY DISTRICT
STAFF REPORT

May 15, 2019

Exhibit 6.2

SUBJECT:  Consideration of Revised Contract for Finance Services with Platinum Consulting Group Not to Exceed $43,000

RECOMMENDATION:

That the Board of Trustees:

1. Review and Approve the Revised Contract for Finance Services with Platinum Consulting Group (PCG) Not to Exceed $43,000

DISCUSSION:

After approval of the contract amount and scope of work by the Board of Trustees at the May 1, 2019 meeting, PCG requested several revisions to the form contract proposed. The following requested changes are material terms to the agreement that require Board approval:

Exhibit A – Tasks to be Performed
The original proposal, under Exhibit A, stated that PCG would be responsible for “audit and budget preparation”. The staff interpretation of this term is to assist with materials necessary in the preparation of the budget and audit, with the preparation of the actual budget and audit being done by others. The District has retained James Martha & Company to complete the annual audit. In Ex. A the scope of work also addresses PCG as being the “Primary liaison with auditors”. In order to clarify that the preparation of the audit is not the responsibility of PCG it is recommended that reference to audit preparation be removed and this line revised as “budget preparation.”

Paragraph 9 Indemnification
PCG is requesting a mutual indemnity provision. PCG believes that Paragraphs 9(c) and 9(d) are necessary to reflect the same indemnification standard that the District is holding PCG to in Paragraphs 9(a) and 9(b). The original proposal did not include Paragraphs 9(c) and 9(d).

BOARD ACTION

Motion: ___________________ Second: ___________________
Little ______ Geronimo ______ Lara ______ Ajigbotafe ______ Cousar ______

Prepared by: Kevin Lee, Interim Director
PCG is also requesting that the term “wrongful acts” in paragraph 9.a be replaced with “intentional acts” and that “intentional acts or omissions” of the District and its offices, officials, employees or volunteers be added.

All of these requests can commonly be found in agreements with other agencies. However, the requested language is just as commonly not found in other agreements. Accepting these changes here is a policy decision for the Board of Directors.

**Minor Changes**
PCG has also requested the following minor changes which General Counsel and the Interim Director believe are appropriate:

- Para. 5: clarifying obligations regarding resolving payment disputes.
- Para. 6: clarifying obligations at time of termination.
- Para. 7.c: provision to address process if District is in default of agreement; reciprocal term to process in 7.a and b if Consultant is in default of agreement.
- Para. 8.c: clarifying that District shall pay for licensing fees and equipment costs incurred by Consultant in completion of their work.
- Para. 13: clarifying obligations regarding release of information.

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**BOARD ACTION**

Motion: __________________ Second: __________________
Little_____ Geronimo _____ Lara_____ Ajigbotafe _____ Cousar ____

Prepared by: Kevin Lee, Interim Director