



Governing Board and
Citizens' Oversight Committee
Banning Unified School District
Banning, California

We have audited the financial statements of the Measure L and Measure R funds of Banning Unified School District (the District) for the year ended June 30, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 23, 2012. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during the year. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant estimates related to the Measure L and Measure R funds.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements With Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 29, 2013.

Management Consultations With Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition to our retention.

This information is intended solely for the use of the governing board and management of Banning Unified School District and the Banning Citizens' Oversight Committee and is not intended to be and should not be used by anyone other than these specified parties.

Warrick Fine, Day & Co. LLP

Rancho Cucamonga, California
March 29, 2013

BANNING UNIFIED SCHOOL DISTRICT

**MEASURE L
AND
MEASURE R
GENERAL OBLIGATION BONDS**

AUDIT REPORT

JUNE 30, 2012



BANNING UNIFIED SCHOOL DISTRICT

**MEASURE L
AND
MEASURE R
GENERAL OBLIGATION BONDS**

FINANCIAL AUDIT

JUNE 30, 2012



**BANNING UNIFIED SCHOOL DISTRICT
BUILDING FUND (MEASURE L AND MEASURE R)**

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JUNE 30, 2012**

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INDEPENDENT AUDITORS' REPORT

Governing Board and
Citizens' Oversight Committee
Banning Unified School District
Banning, California

We have audited the accompanying financial statements of the Banning Unified School District (the District) Building Fund (Measure L and Measure R) as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the District's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Building Fund specific to Measure L and Measure R and are not intended to present fairly the financial position and results of operations of the Banning Unified School District in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the Building Fund (Measure L and Measure R) of the Banning Unified School District as of June 30, 2012, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2013, on our consideration of the District Building Fund's (Measure L and Measure R) internal control over financial reporting and on our tests of its compliance with certain 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* and should be considered in assessing the results of our audit.

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
March 29, 2013

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**BANNING UNIFIED SCHOOL DISTRICT
BUILDING FUND (MEASURE L AND MEASURE R)**

**BALANCE SHEET
JUNE 30, 2012**

ASSETS

Deposits and investments	\$ 3,196,310
Accounts receivable	3,258
Due from other funds	10,903
Total Assets	<u>\$ 3,210,471</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$ 88,742
Total Liabilities	<u>88,742</u>

FUND BALANCE

Restricted	
Capital projects funds (Measure R)	2,934,577
Capital projects funds (Measure L)	187,152
Total Fund Balance	<u>3,121,729</u>
Total Liabilities and Fund Balance	<u>\$ 3,210,471</u>

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

**BANNING UNIFIED SCHOOL DISTRICT
BUILDING FUND (MEASURE L AND MEASURE R)**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Measure R</u>	<u>Measure L</u>	<u>Total</u>
REVENUES			
Local income			
Interest income	\$ 15,568	\$ 9,050	\$ 24,618
Total Revenues	<u>15,568</u>	<u>9,050</u>	<u>24,618</u>
EXPENDITURES			
Payroll and benefits	143,956	-	143,956
Supplies and materials	133,706	2,649	136,355
Professional services and other operating expenditures	94,813	11,342	106,155
Capital outlay	622,332	1,331	623,663
Total Expenditures	<u>994,807</u>	<u>15,322</u>	<u>1,010,129</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(979,239)</u>	<u>(6,272)</u>	<u>(985,511)</u>
NET CHANGE IN FUND BALANCE	(979,239)	(6,272)	(985,511)
FUND BALANCE - BEGINNING	<u>3,913,816</u>	<u>193,424</u>	<u>4,107,240</u>
FUND BALANCE - ENDING	<u><u>\$ 2,934,577</u></u>	<u><u>\$ 187,152</u></u>	<u><u>\$ 3,121,729</u></u>

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

**BANNING UNIFIED SCHOOL DISTRICT
BUILDING FUND (MEASURE L AND MEASURE R)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Banning Unified School District (the District) Building Fund (Measure L and Measure R) conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants. The Banning Unified School District Building Fund accounts for financial transactions in accordance with the policies and procedures of the California School Accounting Manual.

Financial Reporting Entity

The audited financial statements include only the Building Fund of the District used to account for Measure L and Measure R projects. This fund was established to account for the expenditures of general obligation bonds issued under the General Obligation Bonds Election of 2002 and 2006. These financial statements are not intended to present fairly the financial position and results of operations of the District in compliance with accounting principles generally accepted in the United States of America. The voters authorized a total of \$12 million to be issued under Measure L and \$63 million to be issued under Measure R. As of June 30, 2012, the District has issued all authorized general obligation bonds under Measure L and \$37 million of the Measure R general obligation bonds.

Fund Accounting

The operations of the Building Fund are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Resources are allocated to and accounted for in the fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

The Building Fund is a governmental fund which is accounted for using the modified accrual basis of accounting. The revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered), except for unmatured interest on the general obligation bonds, which are recognized when due.

**BANNING UNIFIED SCHOOL DISTRICT
BUILDING FUND (MEASURE L AND MEASURE R)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. The District's governing board adopts an operating budget no later than July 1 in accordance with State law. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements. The governing board revises this budget during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

Encumbrances

The District utilizes an encumbrance accounting system under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are liquidated when the commitments are paid and all outstanding encumbrances are liquidated at June 30 since they do not constitute expenditures or liabilities.

Fund Balance - Governmental Funds

As of June 30, 2012, fund balances of the governmental funds are classified as follows:

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

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 expenditures/expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - INVESTMENTS

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instrument; registered State warrants or treasury notes; securities of the U.S. Government or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreement; medium-term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security, and collateralized mortgage obligations.

**BANNING UNIFIED SCHOOL DISTRICT
BUILDING FUND (MEASURE L AND MEASURE R)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

Investment in County Treasury

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code Section 41001*). The fair value of the District's investment in the pool is reported in the accounting financial statement at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Pool. The District maintains a building fund investment of \$3,196,310 with the Riverside County Investment Pool. The fair value of this investment is approximately \$3,200,146 with an average weighted maturity of 431 days.

**BANNING UNIFIED SCHOOL DISTRICT
BUILDING FUND (MEASURE L AND MEASURE R)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

Credit Risk

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 investments with the Riverside County Investment Pool have been rated AAA/V1 by Fitch Ratings.

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2012, consisted of the following:

Interest	<u>\$ 3,258</u>
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NOTE 4 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2012, consisted of the following:

Vendor payables	<u>\$ 88,742</u>
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NOTE 5 - DUE TO/DUE FROM TRANSACTIONS

Interfund receivable balances at June 30, 2012, between the Building Fund and the Cafeteria Fund are as follows:

The balance of \$10,903 due to the Building Fund from the Cafeteria Fund was for use tax.

NOTE 6 - CONSTRUCTION COMMITMENTS

As of June 30, 2012, the District had the following commitment with respect to the unfinished capital project:

<u>Capital Project</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Banning High School Athletic Facilities Phase II	<u>\$ 2,700,000</u>	December 2013

INDEPENDENT AUDITORS' REPORT

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**INDEPENDENT AUDITORS' 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***

Governing Board and
Citizens' Oversight Committee
Banning Unified School District
Banning, California

We have audited the accompanying financial statements of the Banning Unified School District (the District) Building Fund (Measure L and Measure R), as of and for the year ended June 30, 2012, and have issued our report thereon dated March 29, 2013. 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.

As discussed in Note 1, the financial statements present only the Building Fund specific to Measure L and Measure R and are not intended to present fairly the financial position and results of operations of the Banning Unified School District in conformity with accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

Management of Banning Unified School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's Building Fund (Measure L and Measure R) internal control over financial reporting as a basis for designing our auditing procedures 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 Building Fund (Measure L and Measure R) internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's Building Fund (Measure L and Measure R) internal control over financial reporting.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's Building Fund (Measure L and Measure R) 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*.

This report is intended solely for the information and use of the governing board, Citizens' Oversight Committee, and management, and is not intended to be and should not be used by anyone other than these specified parties.

Vaurinik, Fine, Day & Co. LLP

Rancho Cucamonga, California
March 29, 2013

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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**BANNING UNIFIED SCHOOL DISTRICT
BUILDING FUND (MEASURE L AND MEASURE R)**

**FINANCIAL STATEMENT FINDINGS
JUNE 30, 2012**

None reported.

**BANNING UNIFIED SCHOOL DISTRICT
BUILDING FUND (MEASURE L AND MEASURE R)**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2012**

None reported.

BANNING UNIFIED SCHOOL DISTRICT

**MEASURE L
AND
MEASURE R
GENERAL OBLIGATION BONDS**

PERFORMANCE AUDIT

JUNE 30, 2012



**BANNING UNIFIED SCHOOL DISTRICT
BUILDING FUND (MEASURE L AND MEASURE R)**

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INDEPENDENT AUDITORS' REPORT ON PERFORMANCE

Governing Board and
Citizens' Oversight Committee
Banning Unified School District
Banning, California

We were engaged to conduct a performance audit of the Banning Unified School District (the District) Measure L and Measure R General Obligation Bond funds for the year ended June 30, 2012.

We conducted this performance audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

Our audit was limited to the objectives listed within the report which includes determining the District's compliance with the performance requirements as referred to in Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution. Management is responsible for the District's compliance with those requirements.

In planning and performing our performance audit, we obtained an understanding of the District's internal control in order to determine if the internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

The results of our tests indicated that the District expended Measure L and Measure R General Obligation Bond funds only for the specific projects approved by the voters in accordance with Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution.

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
March 29, 2013

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**BANNING UNIFIED SCHOOL DISTRICT
BUILDING FUND (MEASURE L AND MEASURE R)**

JUNE 30, 2012

AUTHORITY FOR ISSUANCES

The Measure L and Measure R Bonds are issued pursuant to the Constitution and laws of the State of California (the State), including the provisions of Chapters 1 and 1.5 of Part 10 of the California *Education Code*, and other applicable provisions of law. The Bonds are authorized to be issued by a resolution adopted by the Board of Supervisors of the County on July 18, 2002 and July 20, 2006 (the County Resolution), pursuant to a request of the District made by a resolution adopted by the Board of Education of the District on July 18, 2002 and July 20, 2006 (the District Resolution).

The District received authorization at elections held on November 5, 2002 and November 7, 2006, to issue general obligation bonds in aggregate principal amounts not to exceed \$12,000,000 under 2002 Election and \$63,000,000 under 2006 Election to finance specific construction and renovation projects approved by eligible voters within the District. The measure required approval by at least 55 percent of the votes cast by eligible voters within the District (the 2002 and 2006 Authorizations). The Bonds represent the first series of the authorized bonds to be issued under the 2002 and 2006 Authorizations.

PURPOSE OF ISSUANCES

The proceeds of the Bonds will be used to finance the repair, renovation, rehabilitation, replacement, construction, acquisition, improvement, furnishing and equipping of school facilities and the acquisition of land within the District. The Bond Project List includes upgrade and major repair projects on Banning High School, Monte Vista Middle School, North Mountain Middle School, Banning Elementary School, Hyatt Elementary School, Park Hill Elementary School, DeAnza Elementary School, and Central Kitchen Nutritional Facilities.

Also, the proceeds of the Bonds will be used for the construction of six new elementary schools, a new high school, a new middle school, construction of Mountain View Continuation High School, and other related facilities.

AUTHORITY FOR THE AUDIT

On November 7, 2000, California voters approved Proposition 39, the Smaller Classes, Safer Schools and Financial Accountability Act. Proposition 39 amended portions of the California Constitution to provide for the issuance of general obligation bonds by school districts, community college districts, or county offices of education, "for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of rental property for school facilities", upon approval by 55 percent of the electorate. In addition to reducing the approval threshold from two-thirds to 55 percent, Proposition 39 and the enacting legislation (AB 1908 and AB 2659) requires the following accountability measures as codified in *Education Code* Sections 15278-15282:

1. Requires that the proceeds from the sale of the bonds be used only for the purposes specified in Article XIII A, Section 1(b)(3)(C) of the California Constitution, and not for any other purpose, including teacher and administrator salaries and other school operating expenses.
2. The school district must list the specific school facilities projects to be funded in the ballot measure and must certify that the governing board has evaluated safety, class size reduction, and information technology needs in developing the project list.

**BANNING UNIFIED SCHOOL DISTRICT
BUILDING FUND (MEASURE L AND MEASURE R)**

JUNE 30, 2012

3. Requires the school district to appoint a citizens' oversight committee.
4. Requires the school district to conduct an annual independent financial audit and performance audit in accordance with the *Government Auditing Standards* issued by the Comptroller General of the United States of the bond proceeds until all of the proceeds have been expended.
5. Requires the school district to conduct an annual independent performance audit to ensure that the funds have been expended only on the specific projects listed.

OBJECTIVES OF THE AUDIT

1. Determine whether expenditures charged to the Building Fund have been made in accordance with the bond project list approved by the voters through the approval of the Measure L and Measure R.
2. Determine whether salary transactions charged to the Building Fund were in support of Measure L and Measure R and not for District general administration or operations.

SCOPE OF THE AUDIT

The scope of our performance audit covered the period of July 1, 2011 to June 30, 2012. The population of expenditures tested included all object and project codes associated with the Bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other State or local funding sources, other than proceeds of the Bonds, were not included within the scope of the audit. Expenditures incurred subsequent to June 30, 2012, were not reviewed, or included within the scope of our audit or in this report.

PROCEDURES PERFORMED AND RESULTS OF OUR PROCEDURES

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2012, for the Building Fund (Measure L and Measure R). Within the fiscal year audited, we obtained the actual invoices and other supporting documentation for a sample of expenditures to ensure compliance with the requirements of Article XIII A, Section 1(b)(3)(C) of the California Constitution and Measure L and Measure R as to the approved bond projects list. We performed the following procedures:

1. We verified that a separate Building Fund of the District has been established to account for the receipt of Measure L and Measure R bond proceeds and expenditure of the funds for the period July 1, 2011 through June 30, 2012.
2. We verified that the District did not receive any proceeds associated with the sale of General Obligation Bonds in the fiscal year ending June 30, 2012.
3. We selected a sample of expenditures, including salaries and benefits, for the period starting July 1, 2011 and ending June 30, 2012, and reviewed supporting documentation to ensure that such funds were properly expended on the specific projects listed in the ballot text.
4. Our sample included transactions totaling \$15,322 for Measure L and \$897,294 for Measure R. This represents 100 percent of the total expenditures of \$15,322 for Measure L and 90 percent of the total expenditures of \$994,807 for Measure R.

**BANNING UNIFIED SCHOOL DISTRICT
BUILDING FUND (MEASURE L AND MEASURE R)**

JUNE 30, 2012

5. We verified that funds from the Building Fund (Measure L and Measure R) were generally expended for the construction, renovation, furnishing, and equipping of District facilities constituting authorized bond projects.
6. We verified that the District used formal bid procedures for those contracts over the construction bid level requirements in accordance with the *Education Code* requirements and District policies.
7. We reviewed the Citizens' Oversight Committee minutes and found that the committee met the required number of times during the year for both the Measure L and Measure R projects. We also reviewed the Citizens' Oversight Committee members and found that the committee consisted of only five of the seven required members for Measure L and Measure R.

CONCLUSION

Except as noted in the Schedule of Findings and Questioned Costs section, the results of our tests indicated that, in all significant respects, the Banning Unified School District has properly accounted for the expenditures held in the Building Fund (Measure L and Measure R), and that such expenditures were made for authorized Bond projects.

**BANNING UNIFIED SCHOOL DISTRICT
BUILDING FUND (MEASURE L AND MEASURE R)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2012**

2012-1 Citizens' Oversight Committee

Criteria

Assembly Bill 1908 (AB 1908), *Education Code* Section 15278, require the Citizens' Oversight Committee to be formed to actively review and report on activities related to Proposition 39 General Obligation Bond expenditures. The Committee is to consist of at least seven members and include the following:

- a) a member active in the business community of the District,
- b) a member active in a Senior Citizen's organization,
- c) a member active in a bona fide taxpayer association,
- d) a parent or guardian of a student in the District, and
- e) a parent or guardian of a student in the District who is also a member of a Parent-Teacher organization.

Comment

During the 2011-2012 fiscal year, the Banning Unified School District maintained one Citizens' Oversight Committee for both Measure L and Measure R projects. The Committee consisted of five individuals for approximately nine months and four individuals for approximately three months. We were unable to determine if the members met the organizational criteria noted in *Education Code* Section 15278 and AB 1908.

Questioned Costs

None.

Recommendation

The District must actively solicit and recruit community members meeting the specific criteria established for the Citizens' Oversight Committee.

Management Response

The District will continue to seek members, meeting the criteria outlined in *Education Code* Section 15278 and AB 1908, by placing an advertisement in the local newspaper, posting the openings on the District's webpage, and encouraging administrators and staff to offer names of possible candidates. In addition, we have sent correspondence to the previous committee members who have stepped down to ask for their possible recommendations.

We now have three interested parties: a parent, a business owner in the community, and a member of the Banning High staff. The member of the high school staff will not be allowed to become a member as specifically stipulated.

**BANNING UNIFIED SCHOOL DISTRICT
BUILDING FUND (MEASURE L AND MEASURE R)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2012**

2012-2 Documentation of Salary and Benefit Expenditures

Criteria

Assembly Bill 1908 and 2659 and *Education Code* Sections 15278-15282 require certain accountability measures related to the expenditures of monies received from the sale of Proposition 39 General Obligation Bonds. These measures include the prohibition of using general obligation bond funds for the salaries and benefits of teachers and administrators or other general school operating expenses.

Comment

The District expended a total of \$143,956 from Measure R Bond funds for salaries and benefits. Specific project accountability for these charges, including time accountability studies, was performed for those employees charged to the fund. However, it was noted that job descriptions in the employee personnel files did not include specific identification of tasks related to the projects approved under Measure R.

Questioned Costs

None.

Recommendation

Current and accurate job descriptions should be maintained in the employee personnel file to indicate the employee may be assigned to projects funded through the Measure R general obligation bond funds.

Management Response

Currently, there are no members of the Banning Unified School District staff receiving payment from the general obligation bond funds. For the first several months of the 2012-2013 fiscal year, we continued to employ an accounting technician whose exclusive duties were those related to the Bond projects.

Should this position be filled, we will require certification forms, similar to those used for individual funded from Federal dollars. This certification will require signature twice per year attesting to the assignments and tasks of the job being exclusively general obligation bond related.



**Banning Unified School District
Status of Construction Funds
9/26/2013**

Measure L Remaining Balance

Resource	Resource Description	Beginning Balance	Expended	Encumbered	Remaining Balance
0	UNRESTRICTED MEASURE L	\$ 85,931.52	\$ -	\$ 5,000.00	\$ 80,931.52
7739	BANNING HIGH MEASURE "L" IMPROVEMENTS	\$ -	\$ 2,275.00	\$ 12,500.00	\$ (14,775.00)
7752	HEMMERLING JOINT USE MEASURE "L"	\$ 0.56	\$ -	\$ -	\$ 0.56
7753	HOFFER JOINT USE MEASURE "L"	\$ 0.64	\$ -	\$ -	\$ 0.64
9921	MEASURE "L" BANNING HIGH GYM	\$ -	\$ 1,970.00	\$ 5,540.00	\$ (7,510.00)
		\$ 85,932.72	\$ 4,245.00	\$ 23,040.00	\$ 58,647.72

Measure R Remaining Balance

607	MEASURE "R" BOND MONIES	\$ 2,912,649.72	\$ 24,622.84	\$ 117,199.41	\$ 2,770,827.47
7721	CENTRAL MODERNIZATION MEASURE "R"	\$ 131.89	\$ 1,065.22	\$ -	\$ (933.33)
7722	HEMMERLING MODERNIZATION MEASURE "R"	\$ -	\$ 913.04	\$ -	\$ (913.04)
7723	HOFFER MODERNIZATION MEASURE "R"	\$ -	\$ 1,082.66	\$ 48.35	\$ (1,131.01)
7726	COOMBS MODERNIZATION MEASURE "R"	\$ -	\$ 1,064.76	\$ -	\$ (1,064.76)
7732	BANNING HIGH MEASURE "R" ADDITIONAL CLASSROOMS	\$ -	\$ 842.99	\$ 13,070.78	\$ (13,913.77)
7735	NICOLET MODERNIZATION MEASURE "R"	\$ -	\$ 1,507.47	\$ -	\$ (1,507.47)
7742	HEMMERLING MODERNIZATION PHASE II "R"	\$ 1,700.00	\$ -	\$ -	\$ 1,700.00
7743	HOFFER MODERNIZATION PHASE II "R"	\$ -	\$ 1,500.00	\$ -	\$ (1,500.00)
7745	NICOLET MODERNIZATION PHASE II "R"	\$ 1,525.00	\$ 11,360.00	\$ 7,340.00	\$ (17,175.00)
9329	BANNING HIGH SCHOOL ATHLETIC FACILITIES MEASURE R	\$ -	\$ 35,333.52	\$ 117,945.57	\$ (153,279.09)
		\$ 2,916,006.61	\$ 79,292.50	\$ 255,604.11	\$ 2,581,110.00

