

**CITY OF BANNING, CALIFORNIA**  
**FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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## INDEPENDENT AUDITORS' REPORT

To The Honorable Mayor and Members of the City Council  
City of Banning, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Banning, California, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the City of Banning's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted by the United States of America and the standards applicable to financial audits contained in the *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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Banning as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund thereof 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 December 21, 2007, on our consideration of the City of Banning's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts, 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.

The accompanying management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



To The Honorable Mayor and Members of the City Council  
City of Banning, California

Our audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Lance, Soll & Lunghard, LLP*

December 21, 2007

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the City of Banning, we offer readers of the City of Banning's financial statements this narrative overview and analysis of the financial activities of the City of Banning for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with the City's financial statements.

### **FINANCIAL HIGHLIGHTS**

- The City's governmental activities net assets and business-type activities net assets were \$113.0 million and \$104.1 million, respectively, at June 30, 2007.
- During the year, the City had revenues that were \$3.0 million more than the \$26.7 million expenses recorded by the City in its governmental activities.
- In the City's business-type activities, revenues were \$5.8 million more than the \$37.1 million in expenses recorded.
- The revenues available for expenditure were \$.68 million more than budgeted for in the General Fund. The City kept General Fund expenditures within spending limits by \$2.1 million.

### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Assets and Statement of Activities provide information about the activities of the City as a whole and present a long-term view of the City's finances. Fund financial statements start on page 16. For governmental activities, these fund statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operation in more detail than the government-wide statements by providing information about the City's most significant funds and other funds. The remaining fiduciary (Agency) fund statement provides financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

### **REPORTING THE CITY AS A WHOLE**

#### **The Statement of Net Assets and the Statement of Activities:**

The analysis of the City as a whole begins on page 13. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that answers this question. These statements include all assets and liabilities of the City using the *accrual basis of accounting*, which is similar to the accounting method used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's *net assets* and *changes*. Net assets are the difference between assets and liabilities, which is one way to measure the City's financial health, or *financial position*. Over time, *increases or decreases* in the City's net assets are an indication of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the economy due to external factors that will cause a decrease in consumer spending.

In the statement of Net Assets and the Statement of Activities, we separate the City Activities as follows:

**Governmental activities** – Most of the City's basic services are reported in this category, including the general administration (city manager, city clerk, finance, etc.), police and fire protection, public works, community development, parks and recreation, and interest on long-term debt. Property taxes, sales tax, transient occupancy tax, user fees, interest income, franchise fees, state and federal grants, contributions from other agencies, and other revenues finance these activities.

**Business-type activities** – The City charges a fee to customers to cover all or most of the cost of certain services it provides. The City's municipal airport, transit, refuse, electric, water and wastewater operations are reported in this category.

## **REPORTING THE CITY'S MOST SIGNIFICANT FUNDS**

### **Fund Financial Statements:**

The fund financial statements provide detailed information about the most significant funds and other funds – not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, management established many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other resources. The City's two types of funds are governmental and proprietary.

**Governmental funds** – Most of the City's basic services are reported in governmental funds, which focus on how money flows in and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the Governmental Fund financial statements to those in the Government-Wide financial statements are explained in a reconciliation following each Governmental Fund financial statement.

**Proprietary funds** – When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's proprietary funds are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information such as a statement of cash flows.

## THE CITY AS TRUSTEE

### Reporting the City's Fiduciary Responsibilities:

The City is the trustee, or *fiduciary*, for certain funds held on behalf of those entities outside of the government. The City's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

## THE CITY AS A WHOLE

The City's combined net assets were \$217.12 million at June 30, 2007. A separate review of the net change in the governmental and business-type activities depicts two different stories. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the City's governmental and business-type activities.

TABLE 1  
NET ASSETS  
(IN MILLIONS)

As of June 30, 2007 and 2006

	Governmental Activities	Business Type Activities	2007 Total	2006 Total
Current and other assets	\$ 81.45	\$ 83.00	164.45	\$ 132.47
Capital assets	85.65	70.80	156.45	151.28
<b>TOTAL ASSETS</b>	<b>167.10</b>	<b>153.80</b>	<b>320.90</b>	<b>283.75</b>
Long-term liabilities				
outstanding	48.64	45.88	94.52	70.31
Other liabilities	5.48	3.78	9.26	4.62
<b>TOTAL LIABILITIES</b>	<b>54.12</b>	<b>49.66</b>	<b>103.78</b>	<b>74.93</b>
Net assets:				
Invested in capital				
assets, net of				
related debt	69.80	25.53	95.33	86.34
Restricted	33.47	20.35	53.82	56.63
Unrestricted	9.71	58.26	67.97	65.85
<b>TOTAL NET ASSETS</b>	<b>\$ 112.98</b>	<b>\$ 104.14</b>	<b>\$ 217.12</b>	<b>\$ 208.82</b>

The City's Net Assets are made-up of three components: Invested in Capital Assets, Net of Related Debt, Restricted and Unrestricted Net Assets.

The net assets of the governmental activities of the City increased by \$3.03 million, while net assets of the business-type funds increased by \$5.76 million.

TABLE 2  
CHANGES IN NET ASSETS  
(IN MILLIONS)

As of June 30, 2007 and 2006

	Governmental Activities	Business Type Activities	2007 Total	2006 Total
REVENUES:				
Program Revenues:				
Charges for services	\$ 4.30	\$ 36.57	\$ 40.87	\$ 37.59
Operating grants and contributions	3.78	1.00	4.78	1.89
Capital grants and contributions	1.55	.53	2.08	13.58
General Revenues:				
Property taxes	9.30	-	9.30	8.09
Sales tax	3.99	-	3.99	4.09
Franchise Taxes	0.68	-	0.68	0.56
Other taxes	0.70	-	0.70	0.91
Motor Vehicle In-Lieu	0.15	-	0.15	0.18
Use of Money & Property	3.19	3.71	6.90	21.58
Other Revenues	2.09	1.03	3.12	3.99
TOTAL REVENUES	29.73	42.84	72.57	92.46
EXPENSES:				
General Government	6.31	-	6.31	4.51
Public Safety	12.17	-	12.17	9.82
Public Works	6.17	-	6.17	6.80
Parks and Recreation	0.87	-	0.87	0.92
Interest on long-term debt	1.18	-	1.18	0.94
Airport		0.34	0.34	0.30
Transit		1.30	1.30	1.31
Water	-	6.84	6.84	23.29
Electric		22.74	22.74	20.47
Wastewater	-	3.13	3.13	2.98
Refuse	-	2.73	2.73	2.49
TOTAL EXPENSES	26.70	37.08	63.78	73.83
INCREASE (DECREASE) IN NET ASSETS	\$ 3.03	\$ 5.76	\$ 8.79	\$ 18.63

## Governmental Activities

The following presents the cost of each of the City's five largest programs – general government, public safety, public works, parks and recreation and interest on long-term debt – as well as each program's *net* cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions (see Table 3).

TABLE 3  
PROGRAM NET COST  
GOVERNMENTAL ACTIVITIES  
(IN MILLIONS)

As of June 30, 2007

	Total Cost of <u>Services</u>	Net Revenue <u>(Expense)</u>
General Government	\$ 6.31	(\$ 4.36)
Public Safety	12.17	(9.09)
Public Works	6.17	(3.23)
Parks and Recreation	0 .87	0.79
Interest on long-term debt	<u>1.18</u>	<u>(1.18)</u>
Total	<u>\$26.70</u>	<u>(\$17.07)</u>

## Business-Type Activities

The following presents the cost of each of the City's six programs - airport, transit, water utility, electric utility, wastewater utility and refuse utility - as well as each program's *net* cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions (see Table 4).



TABLE 4  
PROGRAM NET COST  
BUSINESS-TYPE ACTIVITIES  
(IN MILLIONS)

As of June 30, 2007

	Total Cost of <u>Services</u>	Net Revenue <u>(Expense)</u>
Airport	\$ 0.34	\$(0.03)
Transit	1.30	(0.23)
Water Utility	6.84	1.18
Electric Utility	22.74	0.42
Wastewater Utility	3.13	(0.38)
Refuse Utility	<u>2.73</u>	<u>0.05</u>
Total	<u>\$37.08</u>	<u>\$ 1.01</u>

## THE CITY'S FUNDS

On page 16, the governmental funds balance sheet is shown. The total fund balance for all governmental funds is \$72.97 million. This total includes the general fund balance of \$9.21 million. The City's general fund balance includes reserves for loans receivable as well as City Council adopted designations of fund balance totaling \$2.99 million.

### General Fund Budgetary Highlights

During the year, with the recommendation from the City's staff, the City Council revised the City budget several times. Budgetary adjustments were made on an ongoing basis in an effort to accurately reflect the City's financial position. These adjustments included, but were not limited to, new projects or contracts, change orders to existing projects or contracts, and other adjustments deemed necessary to maintain current service levels. All adjustments that either increase or decrease appropriations or estimated revenue are approved by the City Council.

For the City's general fund, actual ending revenues of \$22.98 million were \$.68 million more than the final budgeted revenues of \$22.30 million. The most significant variance was in property tax revenues, which was budgeted to be \$4.44 million; however, the actual was \$4.95 million. The other significant variances were in transfers from other funds and charges for services. In these two categories, the City budgeted a total of \$8.42 million, and the actual was \$8.17 million.

The general fund actual ending expenditures of \$21.40 million were \$2.09 million less than the final budget of \$23.49 million. There were significant changes in the original budget compared to the final budget during the year. The original expenditure budget was \$15.79 million compared to the final budget of \$23.49 million, a \$7.70 million increase.

Even though the City's general fund appropriations increased by \$7.70 million to \$23.49 million, mainly due to the approval of certain capital projects, carryover of continuing appropriations and grants secured throughout the year, final expenditures were only \$21.40 million. The City's general fund still had an actual net increase in fund balance of \$1.58 million.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2007, the City had \$156.45 million invested in a broad range of capital assets (See Table 5).

TABLE 5  
CAPITAL ASSETS BY ACTIVITY  
(IN MILLIONS)

June 30, 2007

	Governmental Activities	Business Type Activities	Total
Land	\$ 3.09	\$ 1.18	\$ 4.27
Construction in progress	8.34	4.79	13.13
Buildings and Structures	3.61	0.17	3.78
Improvements	0.99	1.23	2.22
Machinery and Equipment	0.74	0.02	0.76
Vehicles	1.93	-	1.93
Utility Plant	-	63.12	63.12
Infrastructure	66.95	0.29	67.24
<b>TOTALS</b>	<u><u>\$ 85.65</u></u>	<u><u>\$ 70.80</u></u>	<u><u>\$ 156.45</u></u>

As presented in the Adopted Operating budget for Fiscal Year 2006-07, the CIP totals \$13.5 million for all categories of the capital improvement projects reported by the various City departments. The amount of the adopted projects reflects a \$7.84 million increase over the previous fiscal year's Capital Budget of \$5.66 million. For additional information on capital assets refer to the Notes to the Financial Statements.

### **Debt**

At year-end, the City's governmental activities had \$50.42 million in bonds, loans, advances, leases, and compensated absences outstanding while the business-type activities had \$45.36 million in debt (see Table 6).

TABLE 6  
DEBT RECAP BY ACTIVITY  
(IN MILLIONS)

June 30, 2007

	Governmental Activities	Business Type Activities	Total
Compensated absences	\$ 1.53	\$ 0.62	\$ 2.15
Tax Allocation Bonds	42.97	-	42.97
Certificates of Participation	5.00	-	5.00
Revenue Bonds		41.21	
Claims & Judgements	0.92		
Loans	-	3.53	3.53
TOTALS	<u>\$ 50.42</u>	<u>\$ 45.36</u>	<u>\$ 95.78</u>

During fiscal year ended June 30, 2007, the City paid \$0.37 million toward Redevelopment Tax Allocation Bonds and \$0.24 million toward COP's. In addition, the City issued an additional \$29.30 million in Redevelopment Tax Allocation Bonds during the fiscal year. The City was able to meet its current debt obligations in a timely manner.

Debt in the business-type activities consists of a Water and Wastewater Revenue Bonds, a loan payable to the California Water Resources Control Board to assist with upgrades to the wastewater treatment facility and compensated absences. For additional information on long term debt refer to the Notes to the Financial Statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS**

In preparing the budget for 2008, management looked at the following economic factors:

- The possible impact to the City of Banning's revenues due to the State of California's fiscal problems
- The trends in the local economy and projected regional growth

Key budget assumptions for forecasting General Fund revenues include the following:

- The State's fiscal problems will not result in any City revenue reductions for 2008
- The recent downturn in the housing market will have an adverse impact on various City revenues
- Sales Tax revenue will not experience any notable growth
- The State has decreased Motor Vehicle License Fees significantly, however, the entire reduction is being backfilled by the State with property taxes
- Property Tax revenues will increase by approximately 3.5%, absent the affects of the State's backfill commitments and significant fluctuations in supplemental taxes

- Development related revenues will be lower than the prior year levels due to activity levels falling below last year despite the implementation of a user fee update
- City revenues will not be adversely affected by court decisions, state legislative actions, various propositions, initiatives, or other actions beyond the City's control

The General Fund 2007-08 Expenditure Budget of \$18.08 million is approximately \$5.41 million lower than the Final Amended Budget for Fiscal Year 2006-07. This net decrease is attributable to the absence of one-time expenditures and major capital projects in the adopted 2007-08 budget.

The Operating Budget for Fiscal Year 2007-08 is a budget that reflects the City's commitment to provide its citizens a safe environment in which to work, play and live as well as provide the highest level of service to the community within the City's financial constraint and is consistent with the City Council's goals and objectives. Questions or requests for information regarding the City of Banning's 2007-08 budget should be sent to the Finance Department at the address below.

#### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City of Banning's finances and to show the City's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City's Finance Department, at the City of Banning, P.O. Box 998, Banning Ca., 92220.

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## CITY OF BANNING

STATEMENT OF NET ASSETS  
JUNE 30, 2007

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Cash and investments	\$ 32,449,744	\$ 49,277,256	\$ 81,727,000
Receivables:			
Accounts	304,257	5,114,467	5,418,724
Contract and notes	36,484	3,804	40,288
Accrued interest	383,296	582,192	965,488
Internal balances	(2,697,070)	2,697,070	-
Inventories	58,700	1,395,740	1,454,440
Unamortized debt issuance costs	1,442,998	1,179,852	2,622,850
Deposits	-	1,138,376	1,138,376
Due from other governments	2,303,103	128,541	2,431,644
Restricted assets:			
Cash and investments	-	1,141,053	1,141,053
Cash with fiscal agent	47,167,219	20,344,843	67,512,062
Capital assets not being depreciated	11,437,347	5,970,320	17,407,667
Capital assets, net of depreciation	74,212,227	64,828,475	139,040,702
<b>Total Assets</b>	<b>167,098,305</b>	<b>153,801,989</b>	<b>320,900,294</b>
<b>Liabilities:</b>			
Accounts payable	1,378,976	1,858,428	3,237,404
Accrued liabilities	506,020	225,469	731,489
Accrued interest	477,529	-	477,529
Deposits payable	454,722	1,015,192	1,469,914
Due to other governments	683,990	-	683,990
Accrued interest payable	-	391,468	391,468
Unearned revenue	1,058,540	286,662	1,345,202
Accrued claims and judgments	921,337	-	921,337
Noncurrent liabilities:			
Due within one year	1,149,515	1,212,399	2,361,914
Due in more than one year	47,484,624	44,672,810	92,157,434
<b>Total Liabilities</b>	<b>54,115,253</b>	<b>49,662,428</b>	<b>103,777,681</b>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	69,795,748	25,534,669	95,330,417
Restricted for:			
Community development projects	3,150,536	-	3,150,536
Public safety	15,686,770	-	15,686,770
Other purpose	13,283,069	-	13,283,069
Debt service	1,354,687	20,344,843	21,699,530
Unrestricted	9,712,242	58,260,049	67,972,291
<b>Total Net Assets</b>	<b>\$ 112,983,052</b>	<b>\$ 104,139,561</b>	<b>\$ 217,122,613</b>

## CITY OF BANNING

STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2007

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
<b>Primary Government:</b>				
Governmental Activities:				
General government	\$ 6,307,224	\$ 1,942,500	\$ -	\$ -
Public safety	12,172,447	141,627	2,938,345	-
Parks and recreation	870,745	111,754	-	1,549,011
Public works	6,172,464	2,101,330	843,382	-
Interest on long-term debt	1,174,189	-	-	-
<b>Total Governmental Activities</b>	<b>26,697,069</b>	<b>4,297,211</b>	<b>3,781,727</b>	<b>1,549,011</b>
Business-Type Activities:				
Airport	337,482	303,213	-	-
Transit	1,304,664	113,040	966,088	-
BUA Water Utility	6,841,683	7,991,264	-	33,546
Electric Utility	22,742,255	22,673,940	-	489,782
BUA Wastewater Utility	3,130,826	2,746,540	-	3,422
Refuse Utility	2,730,475	2,742,855	41,196	-
<b>Total Business-Type Activities</b>	<b>37,087,385</b>	<b>36,570,852</b>	<b>1,007,284</b>	<b>526,750</b>
<b>Total Primary Government</b>	<b>\$ 63,784,454</b>	<b>\$ 40,868,063</b>	<b>\$ 4,789,011</b>	<b>\$ 2,075,761</b>

**General Revenues:**

## Taxes:

Property taxes, levied for general purpose

Transient occupancy taxes

Sales taxes

Franchise taxes

Business licenses taxes

Other taxes

Motor vehicle in lieu

Use of money and property

Other

**Transfers****Total General Revenues and Transfers**

Change in Net Assets

Net Assets at Beginning of Year

Restatement of Net Assets

**Net Assets at End of Year**

<b>Net (Expenses) Revenues and Changes in Net Assets</b>		
<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
\$ (4,364,724)	\$ -	\$ (4,364,724)
(9,092,475)	-	(9,092,475)
790,020	-	790,020
(3,227,752)	-	(3,227,752)
(1,174,189)	-	(1,174,189)
<b>(17,069,120)</b>	<b>-</b>	<b>(17,069,120)</b>
-	(34,269)	(34,269)
-	(225,536)	(225,536)
-	1,183,127	1,183,127
-	421,467	421,467
-	(380,864)	(380,864)
-	53,576	53,576
-	<b>1,017,501</b>	<b>1,017,501</b>
<b>(17,069,120)</b>	<b>1,017,501</b>	<b>(16,051,619)</b>
9,298,172	-	9,298,172
195,221	-	195,221
3,993,332	-	3,993,332
678,356	-	678,356
173,502	-	173,502
330,473	-	330,473
154,660	-	154,660
3,190,217	3,712,492	6,902,709
1,868,871	1,246,407	3,115,278
220,509	(220,509)	-
<b>20,103,313</b>	<b>4,738,390</b>	<b>24,841,703</b>
3,034,193	5,755,891	8,790,084
110,481,024	98,339,443	208,820,467
(532,165)	44,227	(487,938)
<b>\$ 112,983,052</b>	<b>\$ 104,139,561</b>	<b>\$ 217,122,613</b>



## CITY OF BANNING

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2007**

		<b>Capital Projects Funds</b>	
	<b>General</b>	<b>Capital Improvement Fund</b>	<b>Redevelopment Agency</b>
<b>Assets:</b>			
Pooled cash and investments	\$ 8,858,239	\$ 31	\$ 11,710,924
Receivables:			
Accounts	219,203	-	255
Interest	145,068	-	124,439
Loans	32,166	-	-
Due from other governments	1,650,385	-	-
Due from other funds	1,700,000	-	-
Restricted assets:			
Cash and investments with fiscal agents	-	17,354,876	24,965,450
<b>Total Assets</b>	<b>\$ 12,605,061</b>	<b>\$ 17,354,907</b>	<b>\$ 36,801,068</b>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 812,678	\$ 40,433	\$ 490,134
Accrued liabilities	384,812	-	32,899
Due to other funds	-	1,564,788	-
Deferred revenues	151,313	-	-
Advances from other funds	-	-	-
Deposits payable	307,342	-	45,256
Due to other governments	683,990	-	-
Unearned revenue	1,058,540	-	-
<b>Total Liabilities</b>	<b>3,398,675</b>	<b>1,605,221</b>	<b>568,289</b>
<b>Fund Balances:</b>			
Reserved:			
Reserved for encumbrances	93,443	45,622	907,557
Reserved for special donations	-	-	-
Reserved for loans receivable	32,166	-	-
Unreserved:			
Unreserved, reported in nonmajor:			
Special revenue funds	-	-	-
Capital projects funds	-	-	-
Designated for RBEG grant program	-	-	10,000
Designated for working capital	1,808,275	-	-
Designated for low and moderate housing	-	-	4,073,458
Designated for debt service	-	-	-
Designated for compensated absences	623,180	-	-
Designated for continuing appropriations	434,939	9,193	-
Designated for capital projects	-	-	31,241,764
Undesignated	6,214,383	15,694,871	-
<b>Total Fund Balances</b>	<b>9,206,386</b>	<b>15,749,686</b>	<b>36,232,779</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 12,605,061</b>	<b>\$ 17,354,907</b>	<b>\$ 36,801,068</b>

## CITY OF BANNING

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2007**

	Debt Service Funds		
	Redevelopment Agency	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>			
Pooled cash and investments	\$ 3,733,448	\$ 4,952,378	\$ 29,255,020
Receivables:			
Accounts	-	386	219,844
Interest	35,709	54,238	359,454
Loans	-	966	33,132
Due from other governments	207,869	399,344	2,257,598
Due from other funds	-	-	1,700,000
Restricted assets:			
Cash and investments with fiscal agents	4,846,893	-	47,167,219
<b>Total Assets</b>	<b>\$ 8,823,919</b>	<b>\$ 5,407,312</b>	<b>\$ 80,992,267</b>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ -	\$ 14,712	\$ 1,357,957
Accrued liabilities	-	20,244	437,955
Due to other funds	1,700,000	167,800	3,432,588
Deferred revenues	-	-	151,313
Advances from other funds	444,810	-	444,810
Deposits payable	-	101,196	453,794
Due to other governments	-	-	683,990
Unearned revenue	-	-	1,058,540
<b>Total Liabilities</b>	<b>2,144,810</b>	<b>303,952</b>	<b>8,020,947</b>
<b>Fund Balances:</b>			
Reserved:			
Reserved for encumbrances	-	616,432	1,663,054
Reserved for special donations	-	18,764	18,764
Reserved for loans receivable	-	966	33,132
Unreserved:			
Unreserved, reported in nonmajor:			
Special revenue funds	-	2,292,029	2,292,029
Capital projects funds	-	2,175,169	2,175,169
Designated for RBEG grant program	-	-	10,000
Designated for working capital	-	-	1,808,275
Designated for low and moderate housing	-	-	4,073,458
Designated for debt service	6,679,109	-	6,679,109
Designated for compensated absences	-	-	623,180
Designated for continuing appropriations	-	-	444,132
Designated for capital projects	-	-	31,241,764
Undesignated	-	-	21,909,254
<b>Total Fund Balances</b>	<b>6,679,109</b>	<b>5,103,360</b>	<b>72,971,320</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 8,823,919</b>	<b>\$ 5,407,312</b>	<b>\$ 80,992,267</b>

CITY OF BANNING

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2007

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Fund balances of governmental funds	\$ 72,971,320
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets net of depreciation have not been included as financial resources in governmental fund activity	85,140,679
Bond issuance costs is an expenditure in the governmental funds, but its is deferred charges in the statement of net assets:	
Debt issuance costs on bonds issued	1,442,998
Long-term debt and compensated absences have not been included in the governmental fund activity:	
Long-term debt	(47,109,167)
Compensated Absences	(1,345,619)
Accrued interest payable for the current portion of interest due on Tax Allocation Bonds has not been reported in the governmental funds	(477,529)
Revenues not received within 60 days and recorded as deferred revenue in the governmental funds. These revenues are recorded as the intergovernmental revenues in the governmental fund activity.	151,313
Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The assets and liabilities of the internal service funds must be added to the statement of net assets	<u>2,209,057</u>
<b>Net assets of governmental activities</b>	<b><u>\$ 112,983,052</u></b>

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## CITY OF BANNING

STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2007

		Capital Projects Funds	
		Capital	Redevelopment
	General	Improvement	Agency
	Fund		
<b>Revenues:</b>			
Taxes	\$ 9,261,074	\$ -	\$ 1,027,753
Licenses and permits	455,165	-	-
Intergovernmental	3,629,410	-	-
Charges for services	3,801,380	-	-
Use of money and property	685,617	835,454	613,768
Fines and forfeitures	373,092	-	-
Miscellaneous	409,937	-	56,354
<b>Total Revenues</b>	<b>18,615,675</b>	<b>835,454</b>	<b>1,697,875</b>
<b>Expenditures:</b>			
Current:			
General government	2,332,551	-	3,170,786
Public safety	10,740,504	512,786	-
Parks and recreation	797,697	-	-
Public works	1,903,154	-	-
Capital outlay	5,297,994	162,225	1,069,715
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Debt issuance costs	-	-	-
<b>Total Expenditures</b>	<b>21,071,900</b>	<b>675,011</b>	<b>4,240,501</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,456,225)	160,443	(2,542,626)
<b>Other Financing Sources (Uses):</b>			
Transfers in	4,365,091	-	2,287,354
Transfers out	(326,222)	(1,417,973)	(192,163)
Long-term debt issued	-	-	24,940,342
Discount on bond issued	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>4,038,869</b>	<b>(1,417,973)</b>	<b>27,035,533</b>
Net Change in Fund Balances	1,582,644	(1,257,530)	24,492,907
Fund Balances, Beginning of Year, as previously reported	7,630,376	17,007,216	11,739,872
Restatements	(6,634)	-	-
Fund Balances, Beginning of Year, as restated	7,623,742	17,007,216	11,739,872
<b>Fund Balances, End of Year</b>	<b>\$ 9,206,386</b>	<b>\$ 15,749,686</b>	<b>\$ 36,232,779</b>

## CITY OF BANNING

STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2007

	Debt Service Funds	Other Governmental Funds	Total Governmental Funds
	Redevelopment Agency		
<b>Revenues:</b>			
Taxes	\$ 3,324,855	\$ 1,129,937	\$ 14,743,619
Licenses and permits	-	-	455,165
Intergovernmental	-	2,770,339	6,399,749
Charges for services	-	375	3,801,755
Use of money and property	661,288	243,577	3,039,704
Fines and forfeitures	-	-	373,092
Miscellaneous	-	153,268	619,559
<b>Total Revenues</b>	<b>3,986,143</b>	<b>4,297,496</b>	<b>29,432,643</b>
<b>Expenditures:</b>			
Current:			
General government	39,801	24,800	5,567,938
Public safety	-	198,192	11,451,482
Parks and recreation	-	35,797	833,494
Public works	-	1,020,160	2,923,314
Capital outlay	-	380,356	6,910,290
Debt service:			
Principal retirement	610,000	-	610,000
Interest and fiscal charges	909,165	-	909,165
Debt issuance costs	884,845	-	884,845
<b>Total Expenditures</b>	<b>2,443,811</b>	<b>1,659,305</b>	<b>30,090,528</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,542,332	2,638,191	(657,885)
<b>Other Financing Sources (Uses):</b>			
Transfers in	191,083	537,073	7,380,601
Transfers out	(2,286,274)	(2,924,504)	(7,147,136)
Long-term debt issued	5,024,658	-	29,965,000
Discount on bond issued	(831,577)	-	(831,577)
<b>Total Other Financing Sources (Uses)</b>	<b>2,097,890</b>	<b>(2,387,431)</b>	<b>29,366,888</b>
Net Change in Fund Balances	3,640,222	250,760	28,709,003
Fund Balances, Beginning of Year, as previously reported	3,038,887	4,852,600	44,268,951
Restatements	-	-	(6,634)
Fund Balances, Beginning of Year, as restated	3,038,887	4,852,600	44,262,317
<b>Fund Balances, End of Year</b>	<b>\$ 6,679,109</b>	<b>\$ 5,103,360</b>	<b>\$ 72,971,320</b>

See Notes to Financial Statements

CITY OF BANNING

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2007

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Net change in fund balances - total governmental funds \$ 28,709,003

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period 2,656,517

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. (27,719,585)

Accrued interest for Tax Allocation Bonds. This is the net change in accrued interest for the current period. (184,017)

Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds (315,987)

Revenues not received within 60 days are not recognized as deferred revenue in the governmental funds. They are fully accrued in the governmental activities. (74,563)

Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The net revenues (expenses) of the internal service funds is reported with governmental activities (37,175)

**Change in net assets of governmental activities** \$ 3,034,193

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## CITY OF BANNING

**BUDGETARY COMPARISON STATEMENT**  
**GENERAL FUND**  
**YEAR ENDING JUNE 30, 2007**

	<b>Budget Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
Budgetary Fund Balance, July 1, as restated	\$ 7,623,742	\$ 7,623,742	\$ 7,623,742	\$ -
<b>Resources (Inflows):</b>				
Taxes:				
Sales and use	2,876,000	3,287,821	3,037,581	(250,240)
Property	4,104,000	4,439,196	4,945,564	506,368
Franchise	457,124	457,124	495,782	38,658
Transient occupancy	180,000	180,000	195,221	15,221
Other	583,918	583,918	586,926	3,008
<b>Subtotal</b>	<b>8,201,042</b>	<b>8,948,059</b>	<b>9,261,074</b>	<b>313,015</b>
Licenses and permits:				
Building permits	483,996	408,996	344,242	(64,754)
Other permits	65,600	65,600	110,923	45,323
<b>Subtotal</b>	<b>549,596</b>	<b>474,596</b>	<b>455,165</b>	<b>(19,431)</b>
Fines, forfeitures and penalties:				
Parking fines	22,600	22,600	20,225	(2,375)
Court fines and other fines	332,000	332,000	352,867	20,867
<b>Subtotal</b>	<b>354,600</b>	<b>354,600</b>	<b>373,092</b>	<b>18,492</b>
Use of money and property:				
Interest and rents	512,400	412,400	685,617	273,217
<b>Subtotal</b>	<b>512,400</b>	<b>412,400</b>	<b>685,617</b>	<b>273,217</b>
Intergovernmental:				
State motor vehicle in-lieu fee	150,000	150,000	154,660	4,660
Other intergovernmental revenues	717,100	3,151,532	3,474,750	323,218
<b>Subtotal</b>	<b>867,100</b>	<b>3,301,532</b>	<b>3,629,410</b>	<b>327,878</b>
Charges for services:				
Engineering, police, fire and other fees	1,032,488	1,451,663	1,804,903	353,240
Recreation fees	56,328	77,388	53,977	(23,411)
Interfund charges	1,942,500	1,942,500	1,942,500	-
<b>Subtotal</b>	<b>3,031,316</b>	<b>3,471,551</b>	<b>3,801,380</b>	<b>329,829</b>
Other	227,422	396,993	409,937	12,944
Transfers from other funds	280,000	4,944,519	4,365,091	(579,428)
<b>Amounts Available for Appropriation</b>	<b>14,023,476</b>	<b>22,304,250</b>	<b>22,980,766</b>	<b>676,516</b>

## CITY OF BANNING

**BUDGETARY COMPARISON STATEMENT**  
**GENERAL FUND**  
**YEAR ENDING JUNE 30, 2007**

	<b>Budget Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>Charges to Appropriation (Outflow):</b>				
General government:				
City council	\$ 192,097	\$ 200,885	\$ 165,280	\$ 35,605
City manager	149,758	251,218	170,719	80,499
Personnel	245,849	257,849	231,266	26,583
City clerk	122,777	135,860	117,537	18,323
City attorney	209,750	300,275	305,764	(5,489)
Finance	236,330	283,866	254,842	29,024
Community enhancement	68,262	83,491	78,757	4,734
Central services	1,027,897	1,031,257	1,008,386	22,871
<b>Subtotal</b>	<b>2,252,720</b>	<b>2,544,701</b>	<b>2,332,551</b>	<b>212,150</b>
Public safety:				
Police	7,093,516	8,220,362	7,814,946	405,416
Animal control	139,314	139,314	119,019	20,295
Fire	2,934,329	3,016,592	2,806,539	210,053
<b>Subtotal</b>	<b>10,167,159</b>	<b>11,376,268</b>	<b>10,740,504</b>	<b>635,764</b>
Public works:				
Building safety	914,323	925,794	804,763	121,031
Planning	417,980	434,811	357,559	77,252
Engineering	574,208	802,072	572,749	229,323
Building maintenance	202,285	237,946	168,083	69,863
<b>Subtotal</b>	<b>2,108,796</b>	<b>2,400,623</b>	<b>1,903,154</b>	<b>497,469</b>
Parks	382,232	367,226	328,481	38,745
Recreation	490,907	580,841	469,216	111,625
<b>Subtotal</b>	<b>873,139</b>	<b>948,067</b>	<b>797,697</b>	<b>150,370</b>
Capital outlay	55,500	5,881,441	5,297,994	583,447
Transfers out	335,893	340,269	326,222	14,047
<b>Total Charges to Appropriations</b>	<b>15,793,207</b>	<b>23,491,369</b>	<b>21,398,122</b>	<b>2,093,247</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 5,854,011</b>	<b>\$ 6,436,623</b>	<b>\$ 9,206,386</b>	<b>\$ (2,769,763)</b>

## CITY OF BANNING

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2007

	Business-Type Activities - Enterprise Funds		
	Banning Utility Authority Water	Electric Utility	Banning Utility Authority Wastewater
<b>Assets:</b>			
Current:			
Cash and investments	\$ 12,169,987	\$ 25,063,640	\$ 11,217,247
Receivables:			
Accounts	1,200,344	3,182,351	351,865
Interest	139,348	288,253	145,291
Loans	-	3,804	-
Due from other funds	-	-	1,919,172
Due from other governments	72,854	-	7,768
Inventories	320,056	1,064,498	-
Deposits with other agencies	-	1,138,376	-
Restricted:			
Cash and investments	-	1,141,053	-
Cash with fiscal agent	15,286,055	-	5,058,788
<b>Total Current Assets</b>	<b>29,188,644</b>	<b>31,881,975</b>	<b>18,700,131</b>
Noncurrent:			
Unamortized debt issuance costs	894,968	-	284,884
Advances to other funds	-	444,810	111,245
Capital assets - net of accumulated depreciation	33,158,817	18,824,888	16,513,012
<b>Total Noncurrent Assets</b>	<b>34,053,785</b>	<b>19,269,698</b>	<b>16,909,141</b>
<b>Total Assets</b>	<b>\$ 63,242,429</b>	<b>\$ 51,151,673</b>	<b>\$ 35,609,272</b>
<b>Liabilities and Net Assets:</b>			
<b>Liabilities:</b>			
Current:			
Accounts payable	\$ 141,132	\$ 1,444,262	\$ 47,814
Accrued payroll payable	62,598	112,548	23,057
Due to other funds	-	-	186,584
Accrued interest payable	281,585	-	109,883
Deposits payable	462,515	424,695	51,691
Unearned revenue	-	-	-
Bonds, notes and loans payable	620,000	-	452,433
<b>Total Current Liabilities</b>	<b>1,567,830</b>	<b>1,981,505</b>	<b>871,462</b>
Noncurrent:			
Advances from other funds	-	-	-
Compensated absences	238,114	246,483	82,984
Claims and judgments	-	-	-
Bonds, notes and loans payable	34,835,534	-	9,356,159
<b>Total Noncurrent Liabilities</b>	<b>35,073,648</b>	<b>246,483</b>	<b>9,439,143</b>
<b>Total Liabilities</b>	<b>36,641,478</b>	<b>2,227,988</b>	<b>10,310,605</b>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	(2,296,717)	18,824,888	6,704,420
Restricted for debt service	15,286,055	-	5,058,788
Unrestricted	13,611,613	30,098,797	13,535,459
<b>Total Net Assets</b>	<b>26,600,951</b>	<b>48,923,685</b>	<b>25,298,667</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 63,242,429</b>	<b>\$ 51,151,673</b>	<b>\$ 35,609,272</b>
Reconciliation of Net Assets to the Statement of Net Assets:			
Net Assets per Statement of Net Assets - Proprietary Funds			
Prior years' accumulated adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds			
Current adjustments to reflect the consolidation of internal service activities related to enterprise funds			
<b>Net Assets: Business-Type Activities</b>			

## CITY OF BANNING

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2007

	Other Enterprise Funds	Totals	Governmental Activities- Internal Service Funds
<b>Assets:</b>			
Current:			
Cash and investments	\$ 826,382	\$ 49,277,256	\$ 3,194,724
Receivables:			
Accounts	379,907	5,114,467	84,413
Interest	9,300	582,192	23,842
Loans	-	3,804	3,352
Due from other funds	-	1,919,172	-
Due from other governments	47,919	128,541	45,505
Inventories	11,186	1,395,740	58,700
Deposits with other agencies	-	1,138,376	-
Restricted:			
Cash and investments	-	1,141,053	-
Cash with fiscal agent	-	20,344,843	-
<b>Total Current Assets</b>	<b>1,274,694</b>	<b>81,045,444</b>	<b>3,410,536</b>
Noncurrent:			
Unamortized debt issuance costs	-	1,179,852	-
Advances to other funds	-	556,055	-
Capital assets - net of accumulated depreciation	2,302,078	70,798,795	508,895
<b>Total Noncurrent Assets</b>	<b>2,302,078</b>	<b>72,534,702</b>	<b>508,895</b>
<b>Total Assets</b>	<b>\$ 3,576,772</b>	<b>\$ 153,580,146</b>	<b>\$ 3,919,431</b>
<b>Liabilities and Net Assets:</b>			
<b>Liabilities:</b>			
Current:			
Accounts payable	\$ 225,220	\$ 1,858,428	\$ 21,019
Accrued payroll payable	27,266	225,469	68,065
Due to other funds	-	186,584	-
Accrued interest payable	-	391,468	-
Deposits payable	76,291	1,015,192	928
Unearned revenue	286,662	286,662	-
Bonds, notes and loans payable	-	1,072,433	-
<b>Total Current Liabilities</b>	<b>615,439</b>	<b>5,036,236</b>	<b>90,012</b>
Noncurrent:			
Advances from other funds	111,245	111,245	-
Compensated absences	53,502	621,083	179,353
Claims and judgments	-	-	921,337
Bonds, notes and loans payable	-	44,191,693	-
<b>Total Noncurrent Liabilities</b>	<b>164,747</b>	<b>44,924,021</b>	<b>1,100,690</b>
<b>Total Liabilities</b>	<b>780,186</b>	<b>49,960,257</b>	<b>1,190,702</b>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	2,302,078	25,534,669	508,895
Restricted for debt service	-	20,344,843	-
Unrestricted	494,508	57,740,377	2,219,834
<b>Total Net Assets</b>	<b>2,796,586</b>	<b>103,619,889</b>	<b>2,728,729</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 3,576,772</b>	<b>\$ 153,580,146</b>	<b>\$ 3,919,431</b>
<b>Reconciliation of Net Assets to the Statement of Net Assets:</b>			
Net Assets per Statement of Net Assets - Proprietary Funds		\$ 103,619,889	
Prior years' accumulated adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds		593,674	
Current adjustments to reflect the consolidation of internal service activities related to enterprise funds		(74,002)	
<b>Net Assets: Business-Type Activities</b>		<b>\$ 104,139,561</b>	

See Notes to Financial Statements

## CITY OF BANNING

STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2007

	Business-Type Activities - Enterprise Funds		
	Banning Utility Authority Water	Electric Utility	Banning Utility Authority Wastewater
<b>Operating Revenues:</b>			
Sales and service charges	\$ 7,991,264	\$ 22,673,940	\$ 2,746,540
Connection fees	8,918	10,500	-
<b>Total Operating Revenues</b>	<b>8,000,182</b>	<b>22,684,440</b>	<b>2,746,540</b>
<b>Operating Expenses:</b>			
Salaries and benefits	1,267,842	2,465,325	499,739
Supplies and services	2,831,658	3,771,566	1,254,024
Repairs and maintenance	11,829	7,490	40,590
Street lighting costs	-	135,672	-
Power purchased for resale	-	15,297,204	-
Insurance premiums	-	-	-
Depreciation	1,007,084	985,273	894,928
<b>Total Operating Expenses</b>	<b>5,118,413</b>	<b>22,662,530</b>	<b>2,689,281</b>
Operating Income (Loss)	2,881,769	21,910	57,259
<b>Nonoperating Revenues (Expenses):</b>			
Intergovernmental	-	-	-
Interest revenue	1,391,732	1,417,354	864,982
Interest expense	(1,685,579)	-	(389,394)
Amortization of bond costs	(42,324)	-	(43,688)
Miscellaneous	709,619	226,244	269,377
<b>Total Nonoperating Revenues (Expenses)</b>	<b>373,448</b>	<b>1,643,598</b>	<b>701,277</b>
Income (Loss) Before Transfers	3,255,217	1,665,508	758,536
Capital contributions	33,546	489,782	3,422
Transfers in	1,860	8,355	1,515
Transfers out	(173,000)	(5,000)	-
Changes in Net Assets	3,117,623	2,158,645	763,473
<b>Net Assets:</b>			
Beginning of Year, as previously reported	23,482,497	46,765,040	24,487,691
Restatements	831	-	47,503
Beginning of Fiscal Year, as restated	23,483,328	46,765,040	24,535,194
<b>End of Fiscal Year</b>	<b>\$ 26,600,951</b>	<b>\$ 48,923,685</b>	<b>\$ 25,298,667</b>

## CITY OF BANNING

STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2007

	Other Enterprise Funds	Totals	Governmental Activities- Internal Service Funds
<b>Operating Revenues:</b>			
Sales and service charges	\$ 3,159,108	\$ 36,570,852	\$ 4,624,420
Connection fees	-	19,418	-
<b>Total Operating Revenues</b>	<b>3,159,108</b>	<b>36,590,270</b>	<b>4,624,420</b>
<b>Operating Expenses:</b>			
Salaries and benefits	764,420	4,997,326	1,532,098
Supplies and services	3,263,690	11,120,938	2,473,265
Repairs and maintenance	-	59,909	160,348
Street lighting costs	-	135,672	-
Power purchased for resale	-	15,297,204	-
Insurance premiums	-	-	820,252
Depreciation	347,689	3,234,974	54,607
<b>Total Operating Expenses</b>	<b>4,375,799</b>	<b>34,846,023</b>	<b>5,040,570</b>
Operating Income (Loss)	(1,216,691)	1,744,247	(416,150)
<b>Nonoperating Revenues (Expenses):</b>			
Intergovernmental	1,007,284	1,007,284	45,505
Interest revenue	38,424	3,712,492	150,513
Interest expense	(6,375)	(2,081,348)	-
Amortization of bond costs	-	(86,012)	-
Miscellaneous	21,749	1,226,989	121,911
<b>Total Nonoperating Revenues (Expenses)</b>	<b>1,061,082</b>	<b>3,779,405</b>	<b>317,929</b>
Income (Loss) Before Transfers	(155,609)	5,523,652	(98,221)
Capital contributions	-	526,750	-
Transfers in	761	12,491	-
Transfers out	(55,000)	(233,000)	(12,956)
Changes in Net Assets	(209,848)	5,829,893	(111,177)
<b>Net Assets:</b>			
Beginning of Year, as previously reported	3,010,541	97,745,769	2,887,606
Restatements	(4,107)	44,227	(47,700)
Beginning of Fiscal Year, as restated	3,006,434	97,789,996	2,839,906
<b>End of Fiscal Year</b>	<b>\$ 2,796,586</b>	<b>\$ 103,619,889</b>	<b>\$ 2,728,729</b>
<b>Reconciliation of Changes in Net Assets to the Statement of Activities:</b>			
Changes in Net Assets, Enterprise Funds		\$ 5,829,893	
Adjustment to reflect the consolidation of internal service activities related to enterprise funds		(74,002)	
<b>Changes in Net Assets of Business-Type Activities</b>		<b>\$ 5,755,891</b>	

## CITY OF BANNING

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2007

	Business-Type Activities - Enterprise Funds					Governmental Activities- Internal Service Funds
	Banning Utility Authority Water	Electric Utility	Banning Utility Authority Wastewater	Other Enterprise Funds	Totals	
<b>Cash Flows from Operating Activities:</b>						
Cash received from customers and users	\$ 7,763,728	\$ 21,971,991	\$ 2,666,666	\$ 3,105,333	\$ 35,507,718	\$ -
Cash received from interfund service provided	-	-	-	-	-	4,546,079
Cash paid to supplies for goods and services	(3,747,971)	(18,807,126)	(1,335,815)	(3,096,806)	(26,987,718)	(2,694,508)
Cash paid to employees for services	(1,232,474)	(2,336,572)	(423,071)	(777,452)	(4,769,569)	(1,665,640)
Cash paid for claims	-	-	-	-	-	(356,099)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>2,783,283</b>	<b>828,293</b>	<b>907,780</b>	<b>(768,925)</b>	<b>3,750,431</b>	<b>(170,168)</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>						
Cash transfers out	(173,000)	(5,000)	-	(55,000)	(233,000)	(12,956)
Cash transfers in	1,860	8,355	1,515	761	12,491	-
Due from other funds	-	-	(1,849,347)	-	(1,849,347)	-
Due to other funds	-	-	186,584	-	186,584	-
Repayment of advances	-	59,391	55,000	(55,000)	59,391	-
Intergovernmental	-	-	-	1,007,284	1,007,284	45,505
Miscellaneous	709,619	226,244	269,377	21,749	1,226,989	121,911
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<b>538,479</b>	<b>288,990</b>	<b>(1,336,871)</b>	<b>919,794</b>	<b>410,392</b>	<b>154,460</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>						
Purchases, acquisition and construction of capital assets	(2,211,103)	(2,948,776)	(509,624)	(45,248)	(5,714,751)	(37,250)
Principal paid on capital debt	(1,140,000)	-	(592,050)	-	(1,732,050)	-
Interest paid on capital debt	(1,706,946)	-	(397,234)	(6,375)	(2,110,555)	-
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(5,058,049)</b>	<b>(2,948,776)</b>	<b>(1,498,908)</b>	<b>(51,623)</b>	<b>(9,557,356)</b>	<b>(37,250)</b>
<b>Cash Flows from Investing Activities:</b>						
Interest received	1,382,273	1,402,878	845,322	34,812	3,665,285	147,990
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>1,382,273</b>	<b>1,402,878</b>	<b>845,322</b>	<b>34,812</b>	<b>3,665,285</b>	<b>147,990</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(354,014)</b>	<b>(428,615)</b>	<b>(1,082,677)</b>	<b>134,058</b>	<b>(1,731,248)</b>	<b>95,032</b>
Cash and Cash Equivalents at Beginning of Year	27,810,056	26,633,308	17,358,712	692,324	72,494,400	3,099,692
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 27,456,042</b>	<b>\$ 26,204,693</b>	<b>\$ 16,276,035</b>	<b>\$ 826,382</b>	<b>\$ 70,763,152</b>	<b>\$ 3,194,724</b>

## CITY OF BANNING

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 YEAR ENDED JUNE 30, 2007

	<b>Business-Type Activities - Enterprise Funds</b>					<b>Governmental Activities- Internal Service Funds</b>
	<b>Banning Utility Authority Water</b>	<b>Electric Utility</b>	<b>Banning Utility Authority Wastewater</b>	<b>Other Enterprise Funds</b>	<b>Totals</b>	
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>						
Operating income (loss)	\$ 2,881,769	\$ 21,910	\$ 57,259	\$ (1,216,691)	\$ 1,744,247	\$ (416,150)
<b>Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:</b>						
Depreciation	1,007,084	985,273	894,928	347,689	3,234,974	54,607
(Increase) decrease in accounts receivable	(236,454)	(712,449)	(72,106)	(76,590)	(1,097,599)	(40,138)
(Increase) decrease in loans	1,409	2,356	-	-	3,765	4,533
(Increase) decrease in due from other governments	-	-	(7,768)	22,815	15,047	(42,736)
(Increase) decrease in inventories	(71,809)	(102,482)	-	8,761	(165,530)	(6,428)
(Increase) decrease in deposits with other agencies	-	267,871	-	-	267,871	-
Increase (decrease) in accounts payable	(842,688)	221,077	(3,436)	21,327	(603,720)	(54,467)
Increase (decrease) in accrued payroll payable	6,224	15,575	13,003	(4,503)	30,299	3,171
Increase (decrease) in deposits payable	8,604	15,984	(37,765)	1,285	(11,892)	-
Increase (decrease) in unearned revenue	-	-	-	135,511	135,511	-
Increase (decrease) in claims and judgments	-	-	-	-	-	464,153
Increase (decrease) in compensated absences	29,144	113,178	63,665	(8,529)	197,458	(136,713)
<b>Total Adjustments</b>	<b>(98,486)</b>	<b>806,383</b>	<b>850,521</b>	<b>447,766</b>	<b>2,006,184</b>	<b>245,982</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 2,783,283</b>	<b>\$ 828,293</b>	<b>\$ 907,780</b>	<b>\$ (768,925)</b>	<b>\$ 3,750,431</b>	<b>\$ (170,168)</b>

**Non-Cash Investing, Capital, and Financing Activities:**

There were no noncash transactions during the year.



CITY OF BANNING

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2007

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	<u>Agency Funds</u>
<b>Assets:</b>	
Cash and investments	\$ 476,022
Receivables (net of allowance for uncollectibles):	
Interest	4,190
Due from other governments	76,633
Restricted assets:	
Cash with fiscal agent	<u>538,108</u>
<b>Total Assets</b>	<b><u><u>\$ 1,094,953</u></u></b>
 <b>Liabilities:</b>	
Accounts payable	\$ 1,430
Deposits	54,457
Due to bondholders	1,031,298
Due to other governments	<u>7,768</u>
<b>Total Liabilities</b>	<b><u><u>\$ 1,094,953</u></u></b>

**CITY OF BANNING**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

**I. SIGNIFICANT ACCOUNTING POLICIES**

**Note 1: Organization and Summary of Significant Accounting Policies**

**a. Description of the Reporting Entity**

The City of Banning was incorporated in 1913 under the laws of the State of California and enjoys all the rights and privileges applicable to a general law city. It is governed by an elected five-member board. As required by accounting principles generally accepted in the United States of America, these financial statements present the City of Banning (the primary government) and its component units. The component units discussed below are included in the reporting entity because of their operational or financial relationships with the City of Banning.

**Blended Component Units**

The Banning Redevelopment Agency (the Agency) was established in 1973 pursuant to the State of California Health and Safety Code, Section 33000. Its purpose is to prepare and carry out plans for the improvement, rehabilitation and development of blighted areas within the territorial limits of the City of Banning. Separate financial statements may be obtained from Banning City Hall.

The Banning Wastewater Facilities Corporation (the Corporation) was organized at the request of the City in 1984 pursuant to the Nonprofit Public Corporation Law of the State of California (Title 1, Division 2, Part 2 of the California Corporations Code). In 1986, an amendment to its articles of incorporation changed the name of the Corporation to the Banning Public Facilities Corporation. It exists for the purposes of participating with the City of Banning in projects to improve the health, safety and welfare of the City and its residents, purchasing and leasing real and personal property in connection with such projects, and assisting the City in financing, acquiring and constructing such projects. It does not issue separate financial statements. Its activities are included with the City's activities in these financial statements.

The City of Banning Financing Authority (the Authority) was formed by a joint exercise of powers agreement between the City of Banning and the Banning Redevelopment Agency. It was established November 12, 2003 under Article 1 (commencing with Section 6500) of the Joint Powers Law of the State of California for the purpose of providing an entity to assist in providing financing for the City and the Agency. Separate financial statements are not prepared for the Authority.

The Banning Utility Authority (the Utility Authority) was formed on July 12, 2005, pursuant to a joint exercise of powers agreement between the City of Banning and the Banning Redevelopment Agency. The purpose of the Utility Authority is to provide for the lease, ownership, operation, management and maintenance of the City owned Water and Wastewater Utility Systems, and the financing of Public Capital Improvements or Working Capital Requirements relating to the Water and Wastewater Utility Systems. Separate financial statements are not prepared for the Utility Authority. Its activities are included with the City's activities in these financial statements.

**City of Banning**  
**Notes to Financial Statements (Continued)**

**Note 1: Organization and Summary of Significant Accounting Policies (Continued)**

**b. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**c. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. 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 imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. 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.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

**City of Banning**  
**Notes to Financial Statements (Continued)**

**Note 1: Organization and Summary of Significant Accounting Policies (Continued)**

The City reports the following major governmental funds:

- The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Capital Improvement Fund is used to account for a variety of capital improvement projects throughout the City.
- The Redevelopment Agency Capital Projects Fund accounts for financial resources used for the acquisition of major capital facilities.
- The Redevelopment Agency Debt Service Fund accounts for the Agency's tax increment revenues and debt service expenditures.

The City reports the following major proprietary funds:

- The Banning Utility Authority Water Fund is used to account for the construction, operation and maintenance of the City's water service area.
- The Electric Utility Fund is used to account for the costs of labor and materials used in the maintenance, construction and consumption of electric services throughout the City.
- The Banning Utility Authority Wastewater Fund is used to account for the costs of labor and materials, construction and consumption of wastewater services within the City's wastewater service area.

Additionally, the City reports the following fund types:

- Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- The Capital Projects Funds account for the financial resources to be used for the acquisition or construction of major capital facilities.
- The Debt Service Funds account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.
- Internal Service Funds are used to account for the financing of goods or services provided by one department or agency for other departments or agencies of the City, or to other governments, on a cost reimbursement basis.
- The Agency Funds are used to report resources held by the City in a purely custodial capacity, which involves only the receipt, temporary investment and remittance of fiduciary resources to individuals, private organizations or other governments. The City's agency funds account for assessments levied for debt service on bond issues which are not a debt of the City.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

**City of Banning**  
**Notes to Financial Statements (Continued)**

**Note 1: Organization and Summary of Significant Accounting Policies (Continued)**

Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. Certain indirect costs are included in the program expense reported for individual functions and activities.

Proprietary Funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds and of the Internal Service Funds are charges to customers for sales and services. Operating expenses for Enterprise Funds and Internal Service Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

**d. Assets, Liabilities and Net Assets or Equity**

**Deposits and Investments and Cash and Cash Equivalents**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments for the City, as well as for its component units, are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

The provisions of Governmental Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Pools*, require governmental entities to report certain investments at fair value in the balance sheet and recognize the corresponding change in the fair value of investments in the fiscal year in which the change occurred. All investments have been stated at fair value.

**Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

**City of Banning**  
**Notes to Financial Statements (Continued)**

**Note 1: Organization and Summary of Significant Accounting Policies (Continued)**

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles.

The noncurrent portion of receivables related to revenue is set up as deferred revenue and recognized as revenue when the receivables become current. The noncurrent portion of loans and other receivables are offset by fund balance reserve accounts. Property tax revenue is recognized in the fiscal year for which the taxes have been levied providing they become available. Available means then due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter (not to exceed 60 days) to be used to pay liabilities of the current period. Property taxes in the State of California are administered for all local agencies at the county level and consist of secured, unsecured and utility tax rolls. The following is a summary of major policies and practices relating to property taxes:

Property Valuations are established by the Assessor of the County of Riverside for the secured and unsecured property tax rolls; the utility property tax rolls are valued by the State Board of Equalization. Under the provisions of Article XIII A of the State Constitution (Proposition 13 adopted by the voters on June 6, 1978), properties are assessed at 100% of full value. From this base of assessment, subsequent annual increases in valuation are limited to a maximum of 2%. However, increases to full value are allowed for property improvements or upon change in ownership. Personal property is excluded from these limitations and is subject to annual reappraisal.

Tax Levies are limited to 1% of appraised value, which results in a tax rate of \$1.00 per \$100 assessed valuation, under the provisions of Proposition 13. Tax rates for voter-approved indebtedness are excluded from this limitation.

Tax Levy Dates are attached annually on January 1 preceding the fiscal year for which the taxes are levied. The fiscal year begins July 1 and ends June 30 of the following year. Taxes are levied on both real and unsecured personal property as they exist at that time. Liens against real estate, as well as the tax on personal property, are not relieved by subsequent renewal or change in ownership.

Tax Collections are the responsibility of the county tax collector. Taxes and assessments on secured and utility rolls, which constitute a lien against the property, may be paid in two installments; the first is due on November 1 of the fiscal year and is delinquent if not paid by December 10, and the second is due on January 1 of the fiscal year and is delinquent if not paid by April 10. Unsecured personal property taxes do not constitute a lien against real property unless the taxes become delinquent. Payment must be made in one installment, which is delinquent if not paid by August 31 of the fiscal year. Significant penalties are imposed by the county for late payment.

**City of Banning**  
**Notes to Financial Statements (Continued)**

**Note 1: Organization and Summary of Significant Accounting Policies (Continued)**

Tax Levy Apportionments are due to the nature of the citywide maximum levy. It is not possible to identify general purpose tax rates for specific entities. Under state legislation adopted subsequent to the passage of Proposition 13, apportionments to local agencies are made by the county auditor-controller based primarily on the ratio that each agency represented of the total City-wide levy for the three years prior to fiscal year 1979.

Property Tax Administration Fees for the State of California fiscal year 1990-1991 Budget Act authorized counties to collect an administrative fee for collection and distribution of property taxes. Property taxes are recorded net of administrative fees withheld during the fiscal year.

**Inventories and Prepaid Items**

Inventories of materials and supplies (if material) are carried at cost on a first-in, first-out (FIFO) basis. The City uses the consumption method of accounting for inventories. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Buildings and Structures	20 - 50
Improvements	15 - 25
Machinery and Equipment	3 - 25
Vehicles	5 - 10
Infrastructure	40 - 50
Airport Master Plan	10 - 20
Utility Plant	20 - 60

**City of Banning**  
**Notes to Financial Statements (Continued)**

**Note 1: Organization and Summary of Significant Accounting Policies (Continued)**

**Compensated Absences**

Compensated absences are the amounts due to employees for future absences that are attributable to services already rendered. The City has determined that no current liability exists for compensated absences; therefore, the liability for governmental activities is shown only in the government-wide statements. For Proprietary Funds the liability for compensated absences, if any, is segregated between short-term and long-term as indicated above and both portions are reflected in the fund involved.

Vacation pay is payable to employees at the time a vacation is taken or upon termination of employment. Sick leave is payable when an employee is unable to work because of illness or upon termination. Compensatory time and holiday pay are payable at the time leave is taken or upon termination.

The vested portion of these compensated absences is accrued in the Government-Wide statements and is also accrued in proprietary funds at year-end.

The following are summaries of the City's compensated leave policies:

Compensatory Time may be accrued in the following manner: Police up to 80 hours, general employees up to 320 hours, exempt managers receive 80 hours per year that may be accrued without limit, non-exempt managers and utility employees can accrue up to 240 hours of compensatory time. All compensatory time is payable to the employee upon termination at the rate of pay at termination. Utility employees may cash out 40 hours of compensatory time, sick, or vacation or any combination thereof annually. Management employees may elect to cash out 60 hours per year.

Sick Leave accrues to employees in the following manner: Police employees accrue sick leave without limit, each employee may be eligible to convert up to 40 hours of unused sick leave to vacation each year, and after 10 years of service to the City, each employee, upon voluntary separation or involuntary disability, shall be eligible to be paid 40% of accrued sick leave. General union personnel shall accrue sick leave without limit. Upon termination, voluntary or involuntary, or disability, each employee after 10 years of continuous service shall be eligible to receive up to 30% of unused sick leave. Managers shall accrue sick leave without limit. Annually, managers may receive a 96-hour sick leave pay off. Upon separation, service retirement, disability retirement or termination, each employee is eligible to receive payment for up to 96 hours of accrued sick leave and after 10 years of service, up to 30% of accrued sick leave over 96 hours. Utility personnel can accrue sick leave without limit. Annually, utility employees may receive an 80-hour sick leave pay off. Upon voluntary separation or involuntary disability, each employee may receive a cash payment for up to 80 hours of accrued sick leave, in addition, after 10 years of service, 30% of any hours accrued over 80 hours shall be paid. General employees may elect to receive a buyout of 40 hours of sick, vacation or compensatory time, or any combination thereof, annually. Beginning with the 11th year of service, all employees have the option to convert their sick leave bank less 40 hours to deferred compensation or the City's Retiree Health Savings Plan. Upon separation, 100% of the value of unused sick leave - 40 hours can be contributed to deferred comp or the Retiree Health Savings Plan.



City of Banning  
Notes to Financial Statements (Continued)

**Note 1: Organization and Summary of Significant Accounting Policies (Continued)**

Vacation and Holiday Leave for police employees accrue according to a schedule set forth in a memorandum of understanding. After six months of employment, each employee is eligible to be paid for accrued vacation and holiday leave. Maximum accrual for vacation is 320 hours and 336 hours for non-supervisory and supervisory personnel, respectively. Holiday leave may be accrued to a maximum of 160 hours.

Union personnel accrue vacation leave in accordance with schedules set forth in a memorandum of understanding. Upon termination, all union personnel with at least six months service will be paid for all accrued hours. Vacation leave accrues up to a maximum of 320 hours.

All members of the Association of Managers accrue vacation and holiday leave in accordance with schedules set forth in a memorandum of understanding. All accrued vacation and holiday leave shall be paid upon termination up to a maximum of 320 hours for vacation and an unlimited amount of hours for holiday after six months of service.

Utility employees accrue vacation leave in accordance with a schedule set forth in a memorandum of understanding. Vacation shall accrue to the maximum of 320 hours. Any employee that terminates after six months of service shall be paid for all accrued hours. Employees may cash out vacation time annually as follows:

	<u>Hours</u>
Managers	80
Police	40

**Claims and Judgments**

Both the long-term and short-term liability for claims and judgments payable are reported in an internal service fund. The short-term liability, which will be liquidated with expendable available financial resources, is the amount of settlement reached, but unpaid related to claims and judgments entered.

**Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

City of Banning  
Notes to Financial Statements (Continued)

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

e. Reconciliation of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets:

The governmental fund balance sheet includes a reconciliation between fund balance - governmental funds and net assets of governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term debt has not been included in the governmental fund activity." The detail of the (\$47,109,167) long-term debt difference is as follows:

Long-term debt:	
Certificates of participation payable	\$ (5,000,000)
Tax allocation bonds payable	(42,970,000)
Deferred discount on bonds	
(to be amortized over life of debt)	<u>860,833</u>
Net adjustment to reduce fund balance of total	
governmental funds to arrive at net assets of	
governmental activities	<u>\$ (47,109,167)</u>

Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities:

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains, "Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The detail of this \$2,656,517 difference is as follows:

Capital outlay	\$ 6,977,728
Less: depreciation expense	<u>(4,321,211)</u>
Net adjustment to increase net changes in fund balances -	
total governmental funds to arrive at changes in net	
assets of governmental activities	<u>\$ 2,656,517</u>

**City of Banning**  
**Notes to Financial Statements (Continued)**

**Note 1: Organization and Summary of Significant Accounting Policies (Continued)**

Another element of that reconciliation states that "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds." Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The details of this (\$27,719,585) difference are as follows:

Debt issued or incurred:	
Tax allocation bonds	\$ (29,965,000)
Debt issuance costs	884,845
Bond discount	831,577
Principal repayments:	
Certificates of participation	240,000
Tax allocation bonds	370,000
Amortization of bond costs	<u>(81,007)</u>
Net adjustment to decrease net changes in fund balance of total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (27,719,585)</u>

**II. STEWARDSHIP**

**Note 2: Stewardship, Compliance and Accountability**

**a. Budgets and Budgetary Accounting**

The City Council has the responsibility for adoption of the City's budgets. Budgets are adopted for governmental funds. From the effective date of the budget, the amounts stated as proposed expenditures become appropriations to the various City departments. The City Council may amend the budget by resolution during each fiscal year. The City Manager is authorized to transfer funds from one major expenditure category to another within the same department and fund. Any revisions that alter the total expenditures of any fund must be approved by the City Council.

All appropriations lapse at the end of the fiscal year to the extent that they have not been expended. Lease contracts entered into by the City are subject to annual review by the City Council; hence, they legally are one-year contracts with an option for renewal for another fiscal year.

Budgetary comparison is provided in the accompanying financial statements for the General Fund, Special Revenue Funds, Capital Projects Funds and Debt Service Funds. Budgeted revenue and expenditure amounts shown represent the City's originally adopted legal budget adjusted for unanticipated revenues and appropriations during the course of the fiscal year. Budget amounts, as adjusted, reported for the governmental funds of the City are adopted on a basis consistent with generally accepted accounting principles (GAAP).

**City of Banning**  
**Notes to Financial Statements (Continued)**

**Note 2: Stewardship, Compliance and Accountability (Continued)**

**b. Encumbrances**

Encumbrance accounting, 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, are employed as an extension of formal budgetary integration in the governmental fund types. Encumbrances outstanding at the end of the year are cleared out and re-appropriated in the following year's budget.

**III. DETAILED NOTES ON ALL FUNDS**

**Note 3: Cash and Investments**

As of June 30, 2007, cash and investments were reported in the accompanying financial statements as follows:

Governmental activities	\$ 79,616,963
Business-type activities	70,763,152
Fiduciary funds	<u>1,014,130</u>
Total Cash and Investments	<u>\$ 151,394,245</u>

The City of Banning maintains a cash and investment pool that is available for use for all funds. Each fund type's position in the pool is reported on the combined balance sheet as cash and investments. The City has adopted an investment policy, which authorizes it to invest in various investments.

**Deposits**

At June 30, 2007, the carrying amount of the City's deposits was \$1,311,333, and the bank balance was \$1,128,045. The \$183,288 difference represents outstanding checks and other reconciling items.

The California Government Code requires California banks and savings and loan associations to secure a City's deposits by pledging government securities with a value of 110% of a City's deposits. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of a City's total deposits. The City Treasurer may waive the collateral requirement for deposits that are fully insured up to \$100,000 by the FDIC. The collateral for deposits in federal and state chartered banks is held in safekeeping by an authorized Agent of Depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an Agent of Depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an "Agent of Depository" has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California Agents of Depository are considered to be held for, and in the name of, the local governmental agency.

**City of Banning**  
**Notes to Financial Statements (Continued)**

**Note 3: Cash and Investments (Continued)**

**Investments**

Under provision of the City's investment policy and in accordance with the California Government Code, the following investments are authorized:

- Securities issued or guaranteed by the U.S. Treasury or agencies of the United States Government
- Bank certificates of deposit
- Shares of savings certificates of savings and loan associations
- Mortgage backed securities
- State of California Local Agency Investment Fund

**Investments Authorized by Debt Agreements**

The above investments do not address investment of debt proceeds held by a bond trustee. Investments of debt proceeds held by a bond trustee are governed by provisions of the debt agreements rather than the general provisions of the California Government Code or the City's investment policy.

**Investments in State Investment Pool**

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute. The State Treasurer's Office audits the fund annually. The fair value of the position in the investment pool is the same as the value of the pool shares.

**GASB Statement No. 31**

The City adopted GASB Statement No. 31, *Accounting and Financial Reporting for certain investments and for External Investment Pools*, as of July 1, 1997. GASB Statement No. 31 establishes fair value standards for investments in participating interest earning investment contracts, external investment pools, equity securities, option contracts, stock warrants and stock rights that have readily determinable fair values. Accordingly, the City reports its investments at fair value in the balance sheet. All investment income, including changes in the fair value of investments, is recognized as revenue in the operating statement.

**Credit Risk**

The City's investment policy does not limit investments in Federal Agency Securities to ratings issued by nationally recognized statistical rating organizations. As of June 30, 2007, the City's investments in Federal Agency Securities consisted of investments in Federal Home Loan Bank Bonds, Federal Home Loan Mortgage Corporation Notes and Federal National Mortgage Corporation. At June 30, 2007, all Federal Agency Securities were rated "AAA" by Standard & Poor's. All securities were investment grade and were legal under State and City law. As of June 30, 2007, the City's investments in external investment pools are unrated.

**City of Banning**  
**Notes to Financial Statements (Continued)**

**Note 3: Cash and Investments (Continued)**

**Custodial Credit Risk**

The 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 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 to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

As of June 30, 2007, none of the City's deposits or investments was exposed to custodial credit risk.

**Concentration of Credit Risk**

The City's investment policy imposes restrictions on the percentage that the City can invest in certain types of investments. As of June 30, 2007, in accordance with GASB 40 requirements, the City has not invested more than 5% of its total investments in any one issuer. Investments guaranteed by the U.S. government and investments in mutual funds and external investment pools are excluded from this requirement.

**Interest Rate Risk**

The City's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City has elected to use the segmented time distribution method of disclosure for its interest rate risk.

As of June 30, 2007, the City had the following investments and maturities:

Investment Type	Remaining Investment Maturities					Fair Value
	6 months or less	6 months to 1 year	1 to 3 years	3 to 5 years	More than 5 years	
Federal Agency Securities	\$ 999,060	\$ 4,962,330	\$ 16,901,178	\$ -	\$ -	\$ 22,862,568
Local Agency Investment Fund	57,824,583	-	-	-	-	57,824,583
U.S Treasury						
Money Market	1,345,591	-	-	-	-	1,345,591
Cash with Fiscal Agents:						
Money Market	844,752	-	-	-	-	844,752
Federal Agency Securities	9,920,138	-	-	-	-	9,920,138
U.S T-Note	972,319	-	-	-	-	972,319
Repurchase agreement	-	-	-	-	522,562	522,562
Investment agreement	-	-	53,909,648	1,880,751	-	55,790,399
<b>Total</b>	<b>\$ 71,906,443</b>	<b>\$ 4,962,330</b>	<b>\$ 70,810,826</b>	<b>\$ 1,880,751</b>	<b>\$ 522,562</b>	<b>\$ 150,082,912</b>

**City of Banning**  
**Notes to Financial Statements (Continued)**

**Note 4: Interfund Receivables, Payables and Transfers**

The composition of interfund balances as of June 30, 2007, is as follows:

Due To/From Other Funds

Funds	Due To Other Funds				Total
	Capital Improvement Fund	RDA Debt Service Fund	Nonmajor Governmental Funds	BUA Wastewater Fund	
Due From Other Funds:					
General Fund	\$ -	\$ 1,700,000	\$ -	\$ -	\$ 1,700,000
BUA Wastewater Fund	1,564,788	-	167,800	186,584	1,919,172
Total	<u>\$ 1,564,788</u>	<u>\$ 1,700,000</u>	<u>\$ 167,800</u>	<u>\$ 186,584</u>	<u>\$ 3,619,172</u>

The interfund balances were the results of routine interfund transactions not cleared prior to year-end.

Advances To/From Other Funds

Funds	Advances to Other Funds:		Total
	Electric Utility	BUA Wastewater Utility	
Advances from Other Funds:			
RDA Debt Service	\$ 444,810	\$ -	\$ 444,810
Nonmajor Enterprise Funds	-	111,245	111,245
Total	<u>\$ 444,810</u>	<u>\$ 111,245</u>	<u>\$ 556,055</u>

During the current and previous fiscal years, the City of Banning has made loans to the Agency. These loans bear interest at rates up to 12% per annum depending upon when the loan was initiated. The City may demand payment of all or a portion of the principal balance at any time as funds become available; however, such demands are not anticipated with the next fiscal year. As of June 30, 2007, loans to and accrued unpaid interest owed on those loans was \$444,810. The Airport Enterprise Fund has received funds from the Wastewater Utility Enterprise Fund for the acquisition of airport hangars. The outstanding balance at June 30, 2007, was \$111,245. There is no definite repayment information.

**City of Banning**  
**Notes to Financial Statements (Continued)**

**Note 4: Interfund Receivables, Payables and Transfers (Continued)**

**Interfund Transfers**

Funds	Transfers In:								Totals
	General Fund	Capital Projects RDA	Debt Service RDA	Nonmajor Governmental Funds	Banning Utility Authority Water	Electric Utility	Banning Utility Authority Wastewater	Nonmajor Proprietary Funds	
Transfers Out:									
General	\$ -	\$ -	\$ -	\$ 326,222	\$ -	\$ -	\$ -	\$ -	\$ 326,222
Capital Improvement	1,417,973	-	-	-	-	-	-	-	1,417,973
Capital Projects RDA	-	1,080	191,083	-	-	-	-	-	192,163
Debt Service RDA	-	2,286,274	-	-	-	-	-	-	2,286,274
Nonmajor Governmental Funds	2,797,118	-	-	127,386	-	-	-	-	2,924,504
Water Utility	150,000	-	-	23,000	-	-	-	-	173,000
Electric Utility	-	-	-	5,000	-	-	-	-	5,000
Nonmajor Proprietary Funds	-	-	-	55,000	-	-	-	-	55,000
Internal Service Funds	-	-	-	465	1,860	8,355	1,515	761	12,956
Totals	<u>\$ 4,365,091</u>	<u>\$ 2,287,354</u>	<u>\$ 191,083</u>	<u>\$ 537,073</u>	<u>\$ 1,860</u>	<u>\$ 8,355</u>	<u>\$ 1,515</u>	<u>\$ 761</u>	<u>\$ 7,393,092</u>

During the year, certain funds made payments to the General Fund for project costs and to reimburse expenditures made by the General Fund on behalf of the other funds. These transfers to the General Fund for the year were \$4,365,091.

Amounts were transferred from the Capital Projects RDA Fund to the Debt Service RDA Fund for the Low and Moderate Housing portion of debt service. Amounts were transferred from the Debt Service RDA Fund to the Capital Projects RDA Fund for administrative costs.

Transfers out of the General, Water, Electric, Nonmajor Governmental Funds, Nonmajor Proprietary Funds and Internal Service Funds to other Nonmajor Governmental Funds are to pay certain costs incurred in other Nonmajor governmental funds.



**City of Banning**  
**Notes to Financial Statements (Continued)**

**Note 5: Changes in Capital Assets**

Capital asset activity for the year ended June 30, 2007, is as follows:

	Beginning Balance	Adjustments*	Adjusted Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:							
Capital assets, not being depreciated:							
Land	\$ 3,093,600	\$ -	\$ 3,093,600	\$ -	\$ -	\$ -	\$ 3,093,600
Construction-in-progress	4,484,707	(526,750)	3,957,957	5,515,562	-	(1,129,772)	8,343,747
Total Capital Assets, Not Being Depreciated	7,578,307	(526,750)	7,051,557	5,515,562	-	(1,129,772)	11,437,347
Capital assets, being depreciated:							
Buildings and structures	11,063,812	-	11,063,812	73,802	-	196,702	11,334,316
Land improvements	2,151,763	-	2,151,763	219,872	-	23,987	2,395,622
Machinery and equipment	3,266,836	-	3,266,836	128,664	-	62,878	3,458,378
Vehicles	2,814,509	-	2,814,509	1,087,875	81,253	418,297	4,239,428
Infrastructure	94,470,682	-	94,470,682	-	-	427,908	94,898,590
Total Capital Assets, Being Depreciated	113,767,602	-	113,767,602	1,510,213	81,253	1,129,772	116,326,334
Less accumulated depreciation:							
Buildings and structures	7,332,589	128	7,332,717	388,366	-	-	7,721,083
Land improvements	1,313,965	-	1,313,965	97,181	-	-	1,411,146
Machinery and equipment	2,361,861	-	2,361,861	359,205	-	-	2,721,066
Vehicles	1,975,818	-	1,975,818	407,931	71,803	-	2,311,946
Infrastructure	24,825,731	-	24,825,731	3,123,135	-	-	27,948,866
Total Accumulated Depreciation	37,809,964	128	37,810,092	4,375,818	71,803	-	42,114,107
Total Capital Assets, Being Depreciated, Net	75,957,638	(128)	75,957,510	(2,865,605)	9,450	1,129,772	74,212,227
Governmental Activities Capital Assets, Net	\$ 83,535,945	\$ (526,878)	\$ 83,009,067	\$ 2,649,957	\$ 9,450	\$ -	\$ 85,649,574

\*Adjustment made to transfer Construction-in-progress in the Redevelopment Agency to Business-type Activities.

**City of Banning**  
**Notes to Financial Statements (Continued)**

**Note 5: Changes in Capital Assets (Continued)**

	Beginning Balance	Adjustments*	Adjusted Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-Type Activities:							
Capital assets, not being depreciated:							
Land	\$ 1,184,229	\$ -	\$ 1,184,229	\$ -	\$ -	\$ -	\$ 1,184,229
Construction-in-progress	2,879,010	-	2,879,010	4,049,611	450	(2,142,080)	4,786,091
Total Capital Assets, Not Being Depreciated	4,063,239	-	4,063,239	4,049,611	450	(2,142,080)	5,970,320
Capital assets, being depreciated:							
Airport master plan	38,875	-	38,875	-	-	-	38,875
Buildings and structures	519,247	-	519,247	-	-	-	519,247
Land improvements	2,074,939	-	2,074,939	-	-	-	2,074,939
Machinery and equipment	5,500	-	5,500	23,606	-	-	29,106
Utility plant	102,712,535	529,327	103,241,862	1,641,943	-	2,142,080	107,025,885
Infrastructure	294,495	-	294,495	41	-	-	294,536
Total Capital Assets, Being Depreciated	105,645,591	529,327	106,174,918	1,665,590	-	2,142,080	109,982,588
Less accumulated depreciation:							
Airport master plan	38,875	-	38,875	-	-	-	38,875
Buildings and structures	342,233	-	342,233	8,020	-	-	350,253
Land improvements	747,452	-	747,452	99,129	-	-	846,581
Machinery and equipment	2,292	-	2,292	3,724	-	-	6,016
Utility plant	40,834,044	(45,757)	40,788,287	3,124,101	-	-	43,912,388
Total Accumulated Depreciation	41,964,896	(45,757)	41,919,139	3,234,974	-	-	45,154,113
Total Capital Assets, Being Depreciated, Net	63,680,695	575,084	64,255,779	(1,569,384)	-	2,142,080	64,828,475
Business-type Activities Capital Assets, Net	<u>\$ 67,743,934</u>	<u>\$ 575,084</u>	<u>\$ 68,319,018</u>	<u>\$ 2,480,227</u>	<u>\$ 450</u>	<u>\$ -</u>	<u>\$ 70,798,795</u>

\* To capitalize assets contributed in prior years and record prior years depreciation on those assets

**City of Banning**  
**Notes to Financial Statements (Continued)**

**Note 5: Changes in Capital Assets (Continued)**

Depreciation expense was charged to functions/programs of the primary government is as follows:

Governmental Activities:		
General government	\$	600,206
Public safety		465,391
Public works		3,222,437
Parks and recreation		33,177
Internal service funds		54,607
Total Depreciation Expense - Governmental Activities	\$	<u>4,375,818</u>
Business-Type Activities:		
Airport	\$	108,252
Transit		236,814
Banning Utility Authority Water		1,007,084
Electric Utility		985,273
Banning Utility Authority Wastewater		894,928
		2,623
Total Depreciation Expense - Business-Type Activities	\$	<u>3,234,974</u>

**Note 6: Accounts Receivable**

Accounts receivable for Enterprise Funds are shown net of applicable allowances for doubtful accounts. The accounts receivable and respective allowances are as follows:

	Gross Receivable	Allowance For Doubtful Accounts	Net Receivable
Water	\$ 1,210,264	\$ 9,920	\$ 1,200,344
Electric	3,191,879	9,528	3,182,351
Wastewater	352,103	238	351,865
Airport	3,217	-	3,217
Refuse	377,426	736	376,690
	<u>\$ 5,134,889</u>	<u>\$ 20,422</u>	<u>\$ 5,114,467</u>

**Note 7: Loans Receivable**

The City has entered into various loan agreements with various employees of the City. The amounts loaned to employees are for purchases of computers and firearms. The loans are non-interest bearing and are repaid through payroll withholding.

\$ 40,288

**City of Banning**  
**Notes to Financial Statements (Continued)**

**Note 8: Deposits with Other Agencies**

On August 14, 2001, the City of Banning adopted Resolution 2001-85, approving the Utility Services Agreement between the City of Banning and the City of Riverside. Under this agreement, the City of Riverside shall provide scheduling, dispatching and other related electric utility services to the City. The implementation of this agreement required the payment of a refundable deposit by the City of Banning to the City of Riverside. The amount of deposit with the City of Riverside as of June 30, 2007, amounted to \$1,138,376.

**Note 9: Long-Term Debt**

The following is a summary of the changes in long-term debt for the fiscal year ended June 30, 2007:

	Balance at July 1, 2006	Incurred	Retired	Balance at June 30, 2007	Due Within One Year
<b>Governmental Activities:</b>					
1997 Refunding COPs	\$ 5,240,000	\$ -	\$ 240,000	\$ 5,000,000	\$ 250,000
2003 Tax Allocation Bonds	13,375,000	-	370,000	13,005,000	380,000
2007 Tax Allocation Bonds	-	29,965,000	-	29,965,000	-
Employee Benefits Payable:					
Governmental Funds	1,029,632	518,039	202,052	1,345,619	262,785
Internal Service Funds	316,066	44,011	180,724	179,353	26,396
Claims & Judgment	457,184	986,360	522,207	921,337	230,334
<b>Total</b>	<b>\$ 20,417,882</b>	<b>\$ 31,513,410</b>	<b>\$ 1,514,983</b>	<b>50,416,309</b>	<b>\$ 1,149,515</b>
Less:					
Unamortized original issue discount				860,833	
<b>Net Governmental Activities</b>				<b>\$ 49,555,476</b>	
<b>Business-Type Activities:</b>					
Loans Payable	\$ 3,739,947	\$ -	\$ 207,050	\$ 3,532,897	\$ 212,433
2005 Water Revenue Bond	35,635,000	-	1,140,000	34,495,000	620,000
2005 Wastewater Revenue Bond	7,100,000	-	385,000	6,715,000	240,000
Employee Benefits Payable	423,625	292,925	95,467	621,083	139,966
<b>Total</b>	<b>\$ 46,898,572</b>	<b>\$ 292,925</b>	<b>\$ 1,827,517</b>	<b>45,363,980</b>	<b>\$ 1,212,399</b>
Less:					
Unamortized original issue premium				1,440,270	
Unamortized original issue discount				(120,168)	
Unamortized loss on defeasance				(798,873)	
<b>Net Business-Type Activities</b>				<b>\$ 45,885,209</b>	

**City of Banning**  
**Notes to Financial Statements (Continued)**

**Note 9: Long-Term Debt (Continued)**

**a. 1997 Refunding Certificates of Participation**

On February 21, 1997, the Banning Redevelopment Agency issued \$6,810,000 in Refunding Certificates of Participation with an average interest rate of 4.90% to advance refund \$6,150,000 of outstanding 1990 Certificates of Participation with an average interest rate of 7.01%, the proceeds of which were used to construct the City administration building and certain capital improvements, and acquire related equipment. The net proceeds of \$6,431,045 (after payment of \$378,955 in issuance costs), plus an additional \$242,642 of the 1990 Certificates sinking fund, was used to purchase U.S. Government Securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1990 Certificates. As a result, the 1990 Certificates of Participation are considered to be defeased and the liability for those Certificates has been removed from long-term debt.

The Agency advance refunded the 1990 Certificates to reduce its total debt service payments over the next 24 years by approximately \$857,000 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$261,150.

The 1997 Certificates of Participation represent proportionate undivided interests of the registered owners thereof in lease payments to be made by the City to the Agency under the lease agreement. The City will lease certain real property and improvements located in the City to the Agency pursuant to a Site Lease dated as of March 1, 1997. The Agency will lease the leased property to the City pursuant to a Lease Agreement dated as of March 1, 1997, by and between the City and the Agency.

Pursuant to an Assignment Agreement dated March 1, 1997, between the Agency and the Trustee, the Agency will assign to the Trustee, for the benefit of the owners of the Certificates, all of its rights, title and interest in and to the Site Lease and the Lease Agreement. Pursuant to the Trust Agreement, the Trustee is to distribute lease payments received from the City as principal and interest represented by the Certificates. A reserve fund was established in the amount of \$522,615 from the Certificate proceeds for the benefit of the City and as security for the Certificate owners.

The Certificates maturing from 1997 to 2011, are serial certificates payable in annual installments of \$45,000 to \$305,000, while the Certificates maturing between 2012 and 2020 are term certificates with sinking fund payments payable in annual installments of \$320,000 to \$495,000. Interest is payable semi-annually on each May 1 and November 1, commencing November 1, 1997, at rates ranging from 4.0% to 5.5% per annum. The outstanding principal balance at June 30, 2007, was \$5,000,000.

**City of Banning**  
**Notes to Financial Statements (Continued)**

**Note 9: Long-Term Debt (Continued)**

The total debt service requirements to maturity with respect to the 1997 Certificates are as follows:

Year Ending June 30,	Principal	Interest	Total
2008	\$ 250,000	\$ 263,439	\$ 513,439
2009	265,000	250,720	515,720
2010	275,000	237,083	512,083
2011	290,000	222,530	512,530
2012	305,000	206,908	511,908
2013-2017	1,790,000	758,727	2,548,727
2018-2022	1,825,000	207,487	2,032,487
Total	<u>\$ 5,000,000</u>	<u>\$ 2,146,894</u>	<u>\$ 7,146,894</u>

**b. 2003 Tax Allocation Bonds**

On December 16, 2003, the Banning Public Financing Authority issued \$14,095,000 in Tax Allocation Bonds. The proceeds were used to currently refund the Agency's \$4,130,000 Series 1992 Tax Allocation Bonds and to finance various redevelopment activities.

The bonds consist of serial bonds maturing in the years 2004 to 2018 payable August 1 in annual installments of \$360,000 to \$570,000. The bonds bear interest at 2.0% to 5.0%. Bonds maturing after August 1, 2018, in the amount of \$7,485,000 are term bonds and bear interest at 5.0%.

Serial bonds maturing on or after August 1, 2014, are subject to redemption in whole or in part at the option of the Agency from any available source of funds. Term bonds maturing on August 1, 2023 and 2028, are subject to mandatory redemption in part by lot from sinking fund payments made by the Agency.

A reserve fund was established in the amount of \$972,264 from the bond proceeds for the benefit of the City and as security for the Bond owners. The bonds are further secured by a financial guarantee insurance policy. The bonds are a special obligation of the Banning Redevelopment Agency payable from tax revenues. The amount of bonds outstanding at June 30, 2007, totaled \$13,005,000.

Year Ending June 30,	Principal	Interest	Total
2008	\$ 380,000	\$ 585,914	\$ 965,914
2009	390,000	575,801	965,801
2010	400,000	564,439	964,439
2011	410,000	551,520	961,520
2012	425,000	536,898	961,898
2013-2017	2,400,000	2,389,825	4,789,825
2018-2022	2,990,000	1,785,218	4,775,218
2023-2027	3,805,000	944,875	4,749,875
2028-2032	1,805,000	91,375	1,896,375
Total	<u>\$ 13,005,000</u>	<u>\$ 8,025,865</u>	<u>\$ 21,030,865</u>

**City of Banning**  
**Notes to Financial Statements (Continued)**

**Note 9: Long-Term Debt (Continued)**

**c. 2007 Tax Allocation Bonds**

On May 15, 2007, the Banning Public Financing Authority issued \$29,965,000 in Tax Allocation Bonds. The proceeds were used to provide funds for the redevelopment activities of the Agency, to fund a reserve fund for the Bonds and pay the expenses of the Agency in connection with the issuance of the Bonds.

The bonds consist of serial bonds maturing in the years 2009 to 2030 payable August 1 in annual installments of \$245,000 to \$1,805,000. The bonds bear interest at 4.0% to 4.25%. Bonds maturing after August 1, 2030, in the amount of \$9,500,000 are term bonds and bear interest at 4.375%.

Serial bonds maturing on or after August 1, 2014, are subject to redemption prior to maturity, in whole or in part at the option of the Agency from any available source of funds. Term bonds maturing on August 1, 2037, are subject to mandatory redemption in part or by lot from sinking fund payments made by the Agency. The amount of bonds outstanding at June 30, 2007, totaled \$29,965,000.

Year Ending June 30,	Principal	Interest	Total
2008	\$ -	\$ 852,967	\$ 852,967
2009	-	1,243,191	1,243,191
2010	245,000	1,238,291	1,483,291
2011	365,000	1,227,004	1,592,004
2012	505,000	1,210,516	1,715,516
2013-2017	3,505,000	5,685,419	9,190,419
2018-2022	4,345,000	4,941,877	9,286,877
2023-2027	5,295,000	3,971,350	9,266,350
2028-2032	7,475,000	2,631,850	10,106,850
2033-2037	6,995,000	1,040,266	8,035,266
2038-2042	1,235,000	27,016	1,262,016
Total	<u>\$ 29,965,000</u>	<u>\$ 24,069,747</u>	<u>\$ 54,034,747</u>

**d. 2005 Water Revenue Bonds**

On December 8, 2005, the Banning Utility Authority issued \$35,635,000 in Water Enterprise Revenue Bonds, Refunding and Improvement Projects. The Proceeds of these Bonds were utilized to refund and defease \$2,475,000 in 1986 Water Utility Fund Certificates of Participation and \$1,890,000 in 1989 Water Utility Fund Certificates of Participation and to provide additional funds to pay for certain capital project improvements.

As a result, the 1986 and 1989 Water Utility Fund Certificates of Participation are considered to be defeased and the liability for those bonds has been removed from long-term debt. The advance refunding resulted in a decrease in the Authority's debt service payments over the next 14 years of approximately \$1,050,648. The economic gain (difference between the present values of the debt service payments on the old and new debt) amounts to approximately \$686,786.

**City of Banning**  
**Notes to Financial Statements (Continued)**

**Note 9: Long-Term Debt (Continued)**

The bonds consist of serial bonds maturing in the years 2006 to 2020 are payable November 1 in annual installments of \$620,000 to \$1,025,000. The bonds bear interest at 3.25% to 4.5%. Bonds maturing after November 1, 2020, in the amount of \$23,585,000 are term bonds and bear interest at 5.25%. The total debt service payment requirements with respect to the above bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2008	\$ 620,000	\$ 1,678,663	\$ 2,298,663
2009	640,000	1,656,613	2,296,613
2010	665,000	1,633,775	2,298,775
2011	685,000	1,608,438	2,293,438
2012	715,000	1,580,438	2,295,438
2013-2017	4,030,000	7,428,113	11,458,113
2018-2022	4,945,000	6,483,813	11,428,813
2023-2027	6,275,000	5,110,900	11,385,900
2028-2032	8,090,000	3,241,875	11,331,875
2033-2037	7,830,000	882,263	8,712,263
Sub-total	34,495,000	<u>\$ 31,304,891</u>	<u>\$ 65,799,891</u>
Less:			
Unamortized original issue premium	1,440,270		
Unamortized loss on defeasance	<u>(479,736)</u>		
Total	<u>\$ 35,455,534</u>		

**e. 2005 Wastewater Revenue Bonds**

On December 8, 2005, the Banning Utility Authority issued \$7,100,000 in Wastewater Enterprise Revenue Bonds, Refunding and improvement projects. The Proceeds of these Bonds were utilized to refund and defease \$1,895,000 in 1989 Wastewater Utility Fund Certificates of Participation and to provide additional funds to pay for certain capital project improvements.

As a result, the 1989 Wastewater Utility Fund Certificates of Participation are considered to be defeased and the liability for those bonds has been removed from long-term debt. The advance refunding resulted in a decrease in the Authority's debt service payments over the next 14 years of approximately \$1,550,638. The economic loss (difference between the present values of the debt service payments on the old and new debt) amounts to approximately \$404,306.

The bonds consist of serial bonds maturing in the years 2006 to 2020 are payable November 1 in annual installments of \$135,000 to \$265,000. The bonds bear interest at 3.25% to 4.5%. Bonds maturing between November 1, 2021 and November 1, 2025, in the amount of \$1,100,000 are term bonds and bear interest at 4.5%. Bonds maturing between November 1, 2026 and November 1, 2035, in the amount of \$3,105,000 are term bonds and bear interest at 4.625%.



**City of Banning**  
**Notes to Financial Statements (Continued)**

**Note 9: Long-Term Debt (Continued)**

The total debt service payment requirements with respect to the above bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2008	\$ 240,000	\$ 287,976	\$ 527,976
2009	245,000	280,034	525,034
2010	250,000	271,741	521,741
2011	265,000	262,854	527,854
2012	135,000	255,753	390,753
2013-2017	765,000	1,194,830	1,959,830
2018-2022	930,000	1,022,800	1,952,800
2023-2027	1,150,000	795,500	1,945,500
2028-2032	1,445,000	498,922	1,943,922
2033-2037	1,290,000	133,894	1,423,894
Sub-total	6,715,000	<u>\$ 5,004,304</u>	<u>\$ 11,719,304</u>
Less:			
Unamortized original issue discount	(120,168)		
Unamortized loss on defeasance	<u>(319,137)</u>		
Total	<u>\$ 6,275,695</u>		

**f. Loan Payable - California Water Resource Control Board**

On March 17, 1999, the City entered into a loan contract with the California Water Resource Control Board (Board). The loan was to provide the City with assistance for the Wastewater treatment facility upgrade project. The loan amount was \$4,658,883 and is subject to an interest rate of 2.6% per annum. The loan is to be repaid within 20 years through 20 equal annual installments of principal and interest. The outstanding loan balance at June 30, 2007, was \$3,532,897. The loan is recorded in the Wastewater Utility Enterprise Fund.

Year Ending June 30,	Principal	Interest	Total
2008	\$ 212,433	\$ 91,855	\$ 304,288
2009	217,957	86,332	304,289
2010	223,624	80,665	304,289
2011	229,438	74,851	304,289
2012	235,403	68,886	304,289
2013-2017	1,272,067	249,375	1,521,442
2018-2022	1,141,975	75,181	1,217,156
Total	<u>\$ 3,532,897</u>	<u>\$ 727,145</u>	<u>\$ 4,260,042</u>

**City of Banning**  
**Notes to Financial Statements (Continued)**

**Note 10: Compensated Absences**

For governmental activities, accumulated vacation, sick leave benefits, holiday and compensa-tory time payable at June 30, 2007, was \$1,345,619, which includes \$179,353 recorded in the internal service funds. These amounts are payable from future resources and, therefore, have been recorded in the Statement of Net Assets. Vacation, sick leave, holiday and compensatory time are recorded as expenditures in the related funds when used. For enterprise funds, accumulated vacation, sick leave, holiday and compensatory time amounted to \$621,083.

**Note 11: Capitalized Lease Obligation**

Capital leases represent the acquisition or construction of a general capital asset. The acquisition or construction of the general capital asset will be recorded both as a capital expenditure and as another financing source. Subsequent lease payments are accounted for in a manner consistent with the accounting treatment for payments of long-term debt.

The City signed a capitalized lease agreement with the Banning Redevelopment Agency for the acquisition of the City administration building in March 1997. Under the terms of the lease, the City will make lease payments each year in an amount sufficient to pay the annual principal and interest due with respect to the \$6,810,000 1997 Refunding Certificates of Participation.

The Agency is treated as a component unit of the City. Therefore, this lease between the City and the Agency has been eliminated from these financial statements.

**Note 12: Assessment District and Community Facilities District Bonds**

Bonds issued for improvements in certain special assessment districts in accordance with the provisions of the Municipal Improvement Acts of 1911, 1913 and 1915, as well as the Mello-Roos Community Facilities District Act, are liabilities of the property owners and are secured by liens against the assessed properties. The City acts as an agent for collection of principal and interest payments by the property owners and remittance of such monies to the bondholders. Neither the faith and credit, nor the taxing power, of the City of Banning or the Agency has been pledged to the payment of the bonds. Therefore, none of the following special assessment bonds are shown in the financial statements of the City.

	Amount of Issue	Outstanding June 30, 2007
AD 91-1 1992	\$ 3,422,134	\$ 1,500,000
AD 2004-1	2,898,000	2,850,000

**City of Banning**  
**Notes to Financial Statements (Continued)**

**Note 13: Single Family Mortgage Revenue Bonds**

The Redevelopment Agency has issued mortgage revenue bonds as follows:

	Outstanding Balance June 30, 2007
Redevelopment Agency of the City of Banning Single Family Residential Mortgage Revenue Refunding Bonds	<u>\$ 370,000</u>

The Bonds are special obligations payable solely from payments made on the loans and are secured by a pledge of such loans. Neither the faith and credit, nor the taxing power, of the City of Banning or the Agency has been pledged to the payment of the bonds; therefore, the bonds are not shown in the financial statements of the City.

**Note 14: Operating Lease**

In December 2005, the Banning Utility Authority entered into an operating lease with the City of Banning for the use of the City's water and wastewater systems. The lease agreement states that an initial payment of \$17,000,000 be paid to the City, with additional annual installments equal to the total surplus revenues and other funds pledged. The lease agreement is for a term of 55 years and the amount paid to the City over that time can not exceed the fair value of the water and wastewater systems. In 2005-2006, the Banning Utility Authority paid the City the initial payment of \$17,000,000. The Banning Utility Authority made a payment of \$150,000 during the fiscal year June 30, 2007.

**City of Banning**  
**Notes to Financial Statements (Continued)**

**Note 15: Prior Period Adjustments**

Beginning fund balance has been restated as follows:

Governmental Funds:

General Fund

To remove receivable balances recorded incorrectly	\$ (6,634)
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Proprietary Funds:

Enterprise Funds:

Banning Utility Authority Water

To adjust prior years accumulated depreciation	\$ 831
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Banning Utility Authority Wastewater

To record prior years capital asset additions and depreciation	47,503
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Transit

To adjust revenues for sold assets	(4,107)
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Internal Service Funds:

Fleet Maintenance

To adjust prior years accumulated depreciation	(128)
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Public Works Administration

To move capital assets to governmental activities	(47,572)
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Total Proprietary Funds	<u>\$ (3,473)</u>
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Beginning net assets has been restated as follows:

Governmental Activities:

Governmental funds restatements detailed above	\$ (6,634)
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Internal service funds restatement detailed above	(47,700)
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To transfer CIP to Proprietary Funds	(526,750)
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To move capital assets to governmental activities	48,919
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Total Governmental Activities	(532,165)
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Business-Type Activities:

Enterprise funds restatement detailed above	44,227
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Total Net Asset Restatements	<u>\$ (487,938)</u>
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**Note 16: City Employees Retirement Plan (Defined Benefit Pension Plan)**

**a. PERS**

Miscellaneous Plan

Plan Description

The City of Banning contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California.

**City of Banning**  
**Notes to Financial Statements (Continued)**

**Note 16: City Employees Retirement Plan (Defined Benefit Pension Plan) (Continued)**

**Funding Policy**

Participants are required to contribute 8% of their annual covered salary and the City contributes towards the employees' share per MOU agreements. The City's contribution varies according to unit as follows: 3.5% of 8% for part-time employees hired prior to February 1, 2002; 7% of 8% for general and utility employees; and 8% for managers, confidential, and executive employees. The City is also required to contribute at an actuarially determined rate calculated as a percentage of covered payroll. The employer contribution rate for the year ended June 30, 2007, was 12.277% for miscellaneous employees. Benefit provisions and all other requirements are established by state statute and City contract with employee bargaining groups.

**Annual Pension Cost**

For the year ended June 30, 2007, the City's annual pension cost (employer contribution) of \$942,052 for miscellaneous employees was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2004, actuarial valuation using the entry age normal actuarial cost method.

Three-Year Trend Information for PERS - Safety Plan			
<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)*</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligations</u>
6/30/2005	\$ 424,094	100%	-
6/30/2006	818,011	100%	-
6/30/2007	942,052	100%	-

\* Employer contribution

The actuarial assumptions included: a) 7.75% investment rate of return (net of administrative expenses), b) 3.25% to 14.45% projected annual salary increases that vary by duration of service, and c) 3.25% per year cost-of-living adjustments. Both a) and b) included an inflation component of 3.00%. The actuarial value of PERS' assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period (smoothed market value). PERS' unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. PERS has combined the prior service unfunded liability and current service unfunded liability into single initial unfunded liability.

**City of Banning**  
**Notes to Financial Statements (Continued)**

**Note 16: City Employees Retirement Plan (Defined Benefit Pension Plan (Continued))**

Schedule of Funding Progress for PERS Miscellaneous Plan  
Most Current Available  
(Amounts in Thousands)

Actuarial Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a % of Covered Payroll
6/30/04:	\$27,091	\$23,813	\$3,278	87.9 %	\$5,397	60.7 %
6/30/05:	31,113	26,117	4,996	83.9 %	5,998	83.3 %
6/30/06:	33,927	28,522	5,405	84.1 %	6,768	79.9 %

**Safety Plan**

**Plan Description**

The City of Banning contributes to the California Public Employees Retirement System (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and City ordinance.

**Funding Policy**

Participants are required to contribute 9% of their annual covered salary, which is paid by the City per MOU agreements. The City is required to contribute at an actuarially determined rate calculated as a percentage of covered payroll. The employer contribution rate for the year ended June 30, 2007, was 30.893% for safety employees. Benefit provisions and all other requirements are established by State statute and City contract with employee bargaining groups.

**Annual Pension Cost**

For the year ended June 30, 2007, the City's annual pension cost (employer contribution) of \$960,836 for safety employees was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2004, actuarial valuation using the entry age normal actuarial cost method.

Three-Year Trend Information for PERS - Safety Plan

Fiscal Year	Annual Pension Cost (APC)*	Percentage of APC Contributed	Net Pension Obligations
6/30/2005	\$ 527,804	100%	-
6/30/2006	867,761	100%	-
6/30/2007	960,836	100%	-

\* Employer contribution

Audited annual financial statements are available from CALPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

**City of Banning**  
**Notes to Financial Statements (Continued)**

**Note 16: City Employees Retirement Plan (Defined Benefit Pension Plan) (Continued)**

**b. PARS**

Plan Description

Effective July 2005, the City of Banning began participating in a Public Agency Retirement System (PARS) program, which is a defined contribution retirement plan for part-time, seasonal and temporary employees. A defined contribution retirement plan provides retirement benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive.

As established by the plan, all eligible employees of the City will become participants in the plan from the date they are hired. An eligible employee is any employee who, at any time during which the employer maintains this plan, is not accruing benefits under the Public Employees Retirement System.

Funding Plan

Contributions made to the plan vest immediately. As determined by the plan, all members must contribute 7.5% of their gross earnings to the plan. The City is not required to contribute.

Annual Contributions

The amount of employee contributions was \$9,732 (7.5% of covered payroll). Total payroll for employees covered under this plan for the year was \$125,718.

**Note 17: Deferred Compensation Plan**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are solely the property and rights of the employee. Participants' rights under the plan are equal to an amount equal to the fair market of the deferred account for each participant.

The City has no liability for losses under the plan.

**Note 18: Insurance Programs**

The City maintains self-insurance programs for workers' compensation and general liability. For general liability claims, the City is at risk for up to \$50,000 per occurrence; amounts in excess of \$50,000 up to \$40,000,000 are covered through the Public Entity Risk Management Authority (PERMA). For workers' compensation claims, the City is at risk for up to \$250,000 per occurrence. Losses exceeding \$250,000 up to statutory limits are covered by the PERMA under their risk-sharing pool program. Estimates for all liabilities, including an estimate for incurred but not reported claims (IBNR's), have been included in the Self-Insurance Internal Service Fund.

**City of Banning**  
**Notes to Financial Statements (Continued)**

**Note 18: Insurance Programs (Continued)**

PERMA also provides a non-risk sharing "deductible" or claims-servicing pool for general liability claims within the self-insured retention (SIR) level (\$50,000). Annual contributions are deposited with the Authority from which claims are paid on behalf of the City. Any claims paid by PERMA for the City in excess of deposits at year-end are recorded as "Due to Other Agencies" within the Self-Insurance Internal Service Fund.

In addition, the City makes deposits with PERMA for workers' compensation claims below the \$250,000 SIR from which claims are paid on behalf of the City.

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. At June 30, 2007, the amount of these liabilities was \$921,337. The amount represents an estimate of \$500,643 for reported claims through June 30, 2007, and \$420,694 of estimate incurred but not reported claims. This liability is the City's best estimate based on available information. There are no significant reductions in insurance coverages from prior years and, also, there have been no settlements exceeding the insurance coverages for each of the past three fiscal years.

Changes in the reported liability since June 30, 2007, resulted from the following:

<u>Year</u>	<u>Liability at Beginning</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Liability at End</u>
2006	\$ 677,225	\$ 517,617	\$ 737,658	\$ 457,184
2007	457,184	986,360	522,207	921,337

The City of Banning is a member of the Public Entity Risk Management Authority (a joint powers authority of 22 California cities, one Transit Agency and one other special district) for the purpose of pooling losses and claims of general liability with those of other member cities and agencies. The City continues to carry commercial companies for all other risks of loss.

**Note 19: Contingencies**

The City participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement that may arise as the result of these audits is not believed to be material.

The City is involved in several pending lawsuits of a nature common to many similar jurisdictions. City management estimates that potential claims against the City, not covered by insurance, will not have a material adverse effect on the financial statements of the City.

Proposition 218, which was approved by the voters in November 1996, regulates the City's ability to impose, increase and extend taxes, assessments and fees. Any new, increased or extended taxes, assessments and fees subject to the provisions of Proposition 218 require voter approval before they can be implemented. Additionally, Proposition 218 provides that these taxes, assessments and fees are subject to the voter initiative process and may be rescinded in the future by the voters. Therefore, the City's ability to finance the services for which the taxes, assessments and fees were imposed may be significantly impaired. At this time, it is uncertain how Proposition 218 will affect the City's ability to maintain or increase the revenue it receives from taxes, assessments and fees.



**City of Banning**  
**Notes to Financial Statements (Continued)**

**Note 20: Commitments**

The City has entered into a joint venture agreement with nine other public entities for the purpose of planning, financing, developing, acquiring, constructing, operating and maintaining projects for the generation or transmission of electric energy. The Board of Directors of the Southern California Public Power Authority (SCPPA) consists of one member from each participating agency.

The City has entered into a Power Sales Contract with SCPPA. The City is a 1% participant in SCPPA and, therefore, under the contract, has a binding obligation to purchase 1% of the net energy generation of the project. The contract expires October 31, 2030. The City is obligated to pay for the power from the revenues of its electric system and cannot be offset or reduced if the project is not operating or if its output has been suspended (take or pay basis).

The revenue generated by SCPPA from each participant will be used to service the debt on the Power Project Revenue Bonds issued by SCPPA in the amount of \$2,173,447,000. The City's portion of the outstanding debt of SCPPA as of June 30, 2007, was \$21,326,000.

Summary financial information (audited) of SCPPA for the fiscal year ended June 30, 2007, follows:

	Amounts (in thousands)
Total Assets	\$ 1,816,542
Total Liabilities	<u>2,033,625</u>
Total Net Assets	<u>\$ (217,083)</u>
Beginning Net Assets	\$ (246,532)
Total Revenues (including investment)	423,627
Total Expenses (including debt and loss on refunding)	(404,230)
Net Contributions by Participants	<u>10,052</u>
Ending Net Assets	<u>\$ (217,083)</u>

Separate audited financial statements for SCPPA are available from SCPPA.

**Note 21: Subsequent Events**

The Agency purchased real property on October 31, 2007, at a cost of \$2,800,000.

In July 2007, the City of Banning Financing Authority issued \$45,790,000 in Revenue Bonds (Electric System Project) Series 2007. The proceeds of these bonds will be used to finance certain improvements to the electric system of the City of Banning.

In November 2007, the City's Electric Utility awarded a contract to build a substation in the amount of \$14,763,952.

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## CITY OF BANNING

COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2007

	Special Revenue Funds			
	Gas Tax Street	Measure A	SB 300 Street	Article 3 Sidewalk
<b>Assets:</b>				
Pooled cash and investments	\$ 633,949	\$ 1,037,966	\$ 135,052	\$ 123,772
Receivables:				
Accounts	-	-	-	-
Interest	7,028	11,576	1,496	63
Loans	966	-	-	-
Due from other governments	53,503	133,647	-	-
<b>Total Assets</b>	<b>\$ 695,446</b>	<b>\$ 1,183,189</b>	<b>\$ 136,548</b>	<b>\$ 123,835</b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 3,411	\$ -	\$ -	\$ -
Accrued liabilities	20,244	-	-	-
Due to other funds	-	-	-	-
Deposits payable	95,961	-	-	-
<b>Total Liabilities</b>	<b>119,616</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>				
Reserved:				
Reserved for encumbrances	-	29,900	-	571,532
Reserved for special donations	-	-	-	-
Reserved for loans receivable	966	-	-	-
Unreserved:				
Designated for continuing appropriations	185,978	407,779	-	-
Undesignated	388,886	745,510	136,548	(447,697)
<b>Total Fund Balances</b>	<b>575,830</b>	<b>1,183,189</b>	<b>136,548</b>	<b>123,835</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 695,446</b>	<b>\$ 1,183,189</b>	<b>\$ 136,548</b>	<b>\$ 123,835</b>

## CITY OF BANNING

COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2007

CONTINUED

	Special Revenue Funds			
	Community Development Block Grant	Landscape Maintenance District	AQMD Air Pollution Program	Supplemental Law Enforcement
<b>Assets:</b>				
Pooled cash and investments	\$ -	\$ 27,478	\$ 197,495	\$ 35,114
Receivables:				-
Accounts	-	-	-	-
Interest	-	244	2,117	537
Loans	-	-	-	-
Due from other governments	-	15,850	8,781	-
<b>Total Assets</b>	<b>\$ -</b>	<b>\$ 43,572</b>	<b>\$ 208,393</b>	<b>\$ 35,651</b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ 2,877
Accrued liabilities	-	-	-	-
Due to other funds	-	-	-	-
Deposits payable	-	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,877</b>
<b>Fund Balances:</b>				
Reserved:				
Reserved for encumbrances	-	-	-	-
Reserved for special donations	-	-	-	-
Reserved for loans receivable	-	-	-	-
Unreserved:				
Designated for continuing appropriations	-	-	135,789	26,197
Undesignated	-	43,572	72,604	6,577
<b>Total Fund Balances</b>	<b>-</b>	<b>43,572</b>	<b>208,393</b>	<b>32,774</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ -</b>	<b>\$ 43,572</b>	<b>\$ 208,393</b>	<b>\$ 35,651</b>

## CITY OF BANNING

COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2007

	Special Revenue Funds			
	Public Safety Sales Tax	State Park Bond Act	Property Abatement	Special Donations
<b>Assets:</b>				
Pooled cash and investments	\$ 46,014	\$ 3	\$ -	\$ 30,828
Receivables:				
Accounts	-	-	-	386
Interest	518	10	-	-
Loans	-	-	-	-
Due from other governments	18,886	168,677	-	-
<b>Total Assets</b>	<b>\$ 65,418</b>	<b>\$ 168,690</b>	<b>\$ -</b>	<b>\$ 31,214</b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ 464
Accrued liabilities	-	-	-	-
Due to other funds	-	167,800	-	-
Deposits payable	-	-	-	5,235
<b>Total Liabilities</b>	<b>-</b>	<b>167,800</b>	<b>-</b>	<b>5,699</b>
<b>Fund Balances:</b>				
Reserved:				
Reserved for encumbrances	-	-	-	-
Reserved for special donations	-	-	-	18,764
Reserved for loans receivable	-	-	-	-
Unreserved:				
Designated for continuing appropriations	-	-	-	-
Undesignated	65,418	890	-	6,751
<b>Total Fund Balances</b>	<b>65,418</b>	<b>890</b>	<b>-</b>	<b>25,515</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 65,418</b>	<b>\$ 168,690</b>	<b>\$ -</b>	<b>\$ 31,214</b>

## CITY OF BANNING

COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2007

CONTINUED

	Special Revenue Funds			
	Senior Center Activities	Police Volunteer	D.A.R.E./ G.R.E.A.T.	Ramsey/ Highland Home Signal
<b>Assets:</b>				
Pooled cash and investments	\$ 64,409	\$ 1,415	\$ 18,058	\$ 73,496
Receivables:				
Accounts	-	-	-	-
Interest	717	21	351	814
Loans	-	-	-	-
Due from other governments	-	-	-	-
<b>Total Assets</b>	<b>\$ 65,126</b>	<b>\$ 1,436</b>	<b>\$ 18,409</b>	<b>\$ 74,310</b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 169	\$ -	\$ 1,509	\$ -
Accrued liabilities	-	-	-	-
Due to other funds	-	-	-	-
Deposits payable	-	-	-	-
<b>Total Liabilities</b>	<b>169</b>	<b>-</b>	<b>1,509</b>	<b>-</b>
<b>Fund Balances:</b>				
Reserved:				
Reserved for encumbrances	-	-	-	-
Reserved for special donations	-	-	-	-
Reserved for loans receivable	-	-	-	-
Unreserved:				
Designated for continuing appropriations	-	-	4,383	-
Undesignated	64,957	1,436	12,517	74,310
<b>Total Fund Balances</b>	<b>64,957</b>	<b>1,436</b>	<b>16,900</b>	<b>74,310</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 65,126</b>	<b>\$ 1,436</b>	<b>\$ 18,409</b>	<b>\$ 74,310</b>

## CITY OF BANNING

COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2007

	Special Revenue Funds			
	Wilson Median Improvement	Animal Control Reserve	Peacock Valley II	Asset Forfeiture
<b>Assets:</b>				
Pooled cash and investments	\$ 343,913	\$ 4,468	\$ 1,993	\$ 2,279
Receivables:				
Accounts	-	-	-	-
Interest	3,810	50	23	26
Loans	-	-	-	-
Due from other governments	-	-	-	-
<b>Total Assets</b>	<b>\$ 347,723</b>	<b>\$ 4,518</b>	<b>\$ 2,016</b>	<b>\$ 2,305</b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-
Due to other funds	-	-	-	-
Deposits payable	-	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>				
Reserved:				
Reserved for encumbrances	-	-	-	-
Reserved for special donations	-	-	-	-
Reserved for loans receivable	-	-	-	-
Unreserved:				
Designated for continuing appropriations	-	-	-	-
Undesignated	347,723	4,518	2,016	2,305
<b>Total Fund Balances</b>	<b>347,723</b>	<b>4,518</b>	<b>2,016</b>	<b>2,305</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 347,723</b>	<b>\$ 4,518</b>	<b>\$ 2,016</b>	<b>\$ 2,305</b>

## CITY OF BANNING

COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2007

CONTINUED

	Special Revenue Funds	Capital Projects Funds		
	San Geronio Gang Task Force	Police Facilities Development	Fire Facilities Development	Traffic Control Facilities
<b>Assets:</b>				
Pooled cash and investments	\$ 3,021	\$ 22,750	\$ 802,639	\$ 495,227
Receivables:				
Accounts	-	-	-	-
Interest	41	142	8,870	5,481
Loans	-	-	-	-
Due from other governments	-	-	-	-
<b>Total Assets</b>	<b>\$ 3,062</b>	<b>\$ 22,892</b>	<b>\$ 811,509</b>	<b>\$ 500,708</b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-
Due to other funds	-	-	-	-
Deposits payable	-	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>				
Reserved:				
Reserved for encumbrances	-	-	-	-
Reserved for special donations	-	-	-	-
Reserved for loans receivable	-	-	-	-
Unreserved:				
Designated for continuing appropriations	-	-	-	-
Undesignated	3,062	22,892	811,509	500,708
<b>Total Fund Balances</b>	<b>3,062</b>	<b>22,892</b>	<b>811,509</b>	<b>500,708</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,062</b>	<b>\$ 22,892</b>	<b>\$ 811,509</b>	<b>\$ 500,708</b>



## CITY OF BANNING

COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2007

	Capital Projects Funds			Total Governmental Funds
	General Facilities	Park Development	Fair Oaks AD 2004-1	
<b>Assets:</b>				
Pooled cash and investments	\$ 436,235	\$ 414,804	\$ -	\$ 4,952,378
Receivables:				
Accounts	-	-	-	386
Interest	4,913	5,390	-	54,238
Loans	-	-	-	966
Due from other governments	-	-	-	399,344
<b>Total Assets</b>	<b>\$ 441,148</b>	<b>\$ 420,194</b>	<b>\$ -</b>	<b>\$ 5,407,312</b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 6,267	\$ 15	\$ -	\$ 14,712
Accrued liabilities	-	-	-	20,244
Due to other funds	-	-	-	167,800
Deposits payable	-	-	-	101,196
<b>Total Liabilities</b>	<b>6,267</b>	<b>15</b>	<b>-</b>	<b>303,952</b>
<b>Fund Balances:</b>				
Reserved:				
Reserved for encumbrances	-	15,000	-	616,432
Reserved for special donations	-	-	-	18,764
Reserved for loans receivable	-	-	-	966
Unreserved:				
Designated for continuing appropriations	-	125,000	-	885,126
Undesignated	434,881	280,179	-	3,582,072
<b>Total Fund Balances</b>	<b>434,881</b>	<b>420,179</b>	<b>-</b>	<b>5,103,360</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 441,148</b>	<b>\$ 420,194</b>	<b>\$ -</b>	<b>\$ 5,407,312</b>

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## CITY OF BANNING

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2007

	Special Revenue Funds			
	Gas Tax Street	Measure A	SB 300 Street	Article 3 Sidewalk
<b>Revenues:</b>				
Taxes	\$ -	\$ 793,325	\$ -	\$ -
Intergovernmental	714,806	-	-	-
Charges for services	-	-	-	-
Use of money and property	36,430	36,525	6,609	320
Miscellaneous	2,859	-	-	-
<b>Total Revenues</b>	<b>754,095</b>	<b>829,850</b>	<b>6,609</b>	<b>320</b>
<b>Expenditures:</b>				
Current:				
Public safety	-	-	-	-
Community development	-	-	-	-
Parks and recreation	-	-	-	-
Public works	905,339	-	-	-
Capital outlay	-	-	-	-
<b>Total Expenditures</b>	<b>905,339</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(151,244)	829,850	6,609	320
<b>Other Financing Sources (Uses):</b>				
Transfers in	391,688	-	-	118,144
Transfers out	(9,241)	(118,144)	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>382,447</b>	<b>(118,144)</b>	<b>-</b>	<b>118,144</b>
Net Change in Fund Balances	231,203	711,706	6,609	118,464
Fund Balances, Beginning of Year	344,627	471,483	129,939	5,371
<b>Fund Balances, End of Year</b>	<b>\$ 575,830</b>	<b>\$ 1,183,189</b>	<b>\$ 136,548</b>	<b>\$ 123,835</b>

## CITY OF BANNING

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2007

CONTINUED

	Special Revenue Funds			
	Community Development Block Grant	Landscape Maintenance District	AQMD Air Pollution Program	Supplemental Law Enforcement
<b>Revenues:</b>				
Taxes	\$ -	\$ 99,623	\$ -	\$ -
Intergovernmental	947,211	-	33,804	100,000
Charges for services	-	-	-	-
Use of money and property	-	1,438	9,158	3,518
Miscellaneous	-	-	-	-
<b>Total Revenues</b>	<b>947,211</b>	<b>101,061</b>	<b>42,962</b>	<b>103,518</b>
<b>Expenditures:</b>				
Current:				
Public safety	-	-	-	54,761
Community development	-	-	-	-
Parks and recreation	10,000	-	-	-
Public works	-	114,821	-	-
Capital outlay	37,781	-	26,211	116,688
<b>Total Expenditures</b>	<b>47,781</b>	<b>114,821</b>	<b>26,211</b>	<b>171,449</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	899,430	(13,760)	16,751	(67,931)
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	9,241	-	-
Transfers out	(899,430)	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(899,430)</b>	<b>9,241</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	-	(4,519)	16,751	(67,931)
Fund Balances, Beginning of Year	-	48,091	191,642	100,705
<b>Fund Balances, End of Year</b>	<b>\$ -</b>	<b>\$ 43,572</b>	<b>\$ 208,393</b>	<b>\$ 32,774</b>

## CITY OF BANNING

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2007

	Special Revenue Funds			
	Public Safety Sales Tax	State Park Bond Act	Property Abatement	Special Donations
<b>Revenues:</b>				
Taxes	\$ 236,989	\$ -	\$ -	\$ -
Intergovernmental	-	843,382	-	-
Charges for services	-	-	-	-
Use of money and property	3,269	43	-	-
Miscellaneous	-	-	-	10,634
<b>Total Revenues</b>	<b>240,258</b>	<b>843,425</b>	<b>-</b>	<b>10,634</b>
<b>Expenditures:</b>				
Current:				
Public safety	-	-	-	-
Community development	-	-	-	-
Parks and recreation	-	-	-	14,590
Public works	-	-	-	-
Capital outlay	-	-	-	-
<b>Total Expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,590</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	240,258	843,425	-	(3,956)
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	-	15,000
Transfers out	(280,000)	(843,382)	(228,399)	(266,541)
<b>Total Other Financing Sources (Uses)</b>	<b>(280,000)</b>	<b>(843,382)</b>	<b>(228,399)</b>	<b>(251,541)</b>
Net Change in Fund Balances	(39,742)	43	(228,399)	(255,497)
Fund Balances, Beginning of Year	105,160	847	228,399	281,012
<b>Fund Balances, End of Year</b>	<b>\$ 65,418</b>	<b>\$ 890</b>	<b>\$ -</b>	<b>\$ 25,515</b>

## CITY OF BANNING

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2007

CONTINUED

	Special Revenue Funds			
	Senior Center Activities	Police Volunteer	D.A.R.E./ G.R.E.A.T.	Ramsey/ Highland Home Signal
<b>Revenues:</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	131,136	-
Charges for services	375	-	-	-
Use of money and property	3,268	179	1,716	3,596
Miscellaneous	8,002	-	2,880	-
<b>Total Revenues</b>	<b>11,645</b>	<b>179</b>	<b>135,732</b>	<b>3,596</b>
<b>Expenditures:</b>				
Current:				
Public safety	-	5,321	127,469	-
Community development	-	-	-	-
Parks and recreation	11,207	-	-	-
Public works	-	-	-	-
Capital outlay	-	-	-	-
<b>Total Expenditures</b>	<b>11,207</b>	<b>5,321</b>	<b>127,469</b>	<b>-</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	438	(5,142)	8,263	3,596
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	3,000	-	-
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>3,000</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	438	(2,142)	8,263	3,596
Fund Balances, Beginning of Year	64,519	3,578	8,637	70,714
<b>Fund Balances, End of Year</b>	<b>\$ 64,957</b>	<b>\$ 1,436</b>	<b>\$ 16,900</b>	<b>\$ 74,310</b>

## CITY OF BANNING

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2007

	Special Revenue Funds			
	Wilson Median Improvement	Animal Control Reserve	Peacock Valley II	Asset Forfeiture
<b>Revenues:</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Use of money and property	16,829	219	98	210
Miscellaneous	-	-	-	-
<b>Total Revenues</b>	<b>16,829</b>	<b>219</b>	<b>98</b>	<b>210</b>
<b>Expenditures:</b>				
Current:				
Public safety	-	-	-	3,290
Community development	-	-	-	-
Parks and recreation	-	-	-	-
Public works	-	-	-	-
Capital outlay	-	-	-	-
<b>Total Expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,290</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	16,829	219	98	(3,080)
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	16,829	219	98	(3,080)
Fund Balances, Beginning of Year	330,894	4,299	1,918	5,385
<b>Fund Balances, End of Year</b>	<b>\$ 347,723</b>	<b>\$ 4,518</b>	<b>\$ 2,016</b>	<b>\$ 2,305</b>

## CITY OF BANNING

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2007

CONTINUED

	Special Revenue Fund	Capital Projects Funds		
	San Gorgonio Gang Task Force	Police Facilities Development	Fire Facilities Development	Traffic Control Facilities
<b>Revenues:</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Use of money and property	357	2,285	38,488	23,905
Miscellaneous	-	28,977	36,031	16,730
<b>Total Revenues</b>	<b>357</b>	<b>31,262</b>	<b>74,519</b>	<b>40,635</b>
<b>Expenditures:</b>				
Current:				
Public safety	7,351	-	-	-
Community development	-	-	-	-
Parks and recreation	-	-	-	-
Public works	-	-	-	-
Capital outlay	-	72,452	-	-
<b>Total Expenditures</b>	<b>7,351</b>	<b>72,452</b>	<b>-</b>	<b>-</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,994)	(41,190)	74,519	40,635
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	(6,994)	(41,190)	74,519	40,635
Fund Balances, Beginning of Year	10,056	64,082	736,990	460,073
<b>Fund Balances, End of Year</b>	<b>\$ 3,062</b>	<b>\$ 22,892</b>	<b>\$ 811,509</b>	<b>\$ 500,708</b>



## CITY OF BANNING

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2007

	Capital Projects Funds			Total Governmental Funds
	General Facilities	Park Development	Fair Oaks AD 2004-1	
<b>Revenues:</b>				
Taxes	\$ -	\$ -	\$ -	\$ 1,129,937
Intergovernmental	-	-	-	2,770,339
Charges for services	-	-	-	375
Use of money and property	22,038	31,793	1,286	243,577
Miscellaneous	15,136	32,019	-	153,268
<b>Total Revenues</b>	<b>37,174</b>	<b>63,812</b>	<b>1,286</b>	<b>4,297,496</b>
<b>Expenditures:</b>				
Current:				
Public safety	-	-	-	198,192
Community development	-	-	-	-
Parks and recreation	-	-	-	35,797
Public works	-	-	-	1,020,160
Capital outlay	16,284	47,382	63,558	380,356
<b>Total Expenditures</b>	<b>41,084</b>	<b>47,382</b>	<b>63,558</b>	<b>1,659,305</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,910)	16,430	(62,272)	2,638,191
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	-	537,073
Transfers out	-	(279,367)	-	(2,924,504)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>(279,367)</b>	<b>-</b>	<b>(2,387,431)</b>
Net Change in Fund Balances	(3,910)	(262,937)	(62,272)	250,760
Fund Balances, Beginning of Year	438,791	683,116	62,272	4,852,600
<b>Fund Balances, End of Year</b>	<b>\$ 434,881</b>	<b>\$ 420,179</b>	<b>\$ -</b>	<b>\$ 5,103,360</b>

## CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE  
 GAS TAX STREET  
 YEAR ENDED JUNE 30, 2007

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 344,627	\$ 344,627	\$ 344,627	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	515,000	703,444	714,806	11,362
Use of money and property	18,000	33,000	36,430	3,430
Other	1,200	1,200	2,859	1,659
Transfers from other funds	391,224	391,688	391,688	-
<b>Amounts Available for Appropriation</b>	<b>1,270,051</b>	<b>1,473,959</b>	<b>1,490,410</b>	<b>16,451</b>
<b>Charges to Appropriation (Outflow):</b>				
Public works	1,011,737	1,036,161	905,339	130,822
Capital outlay	-	420,375	-	420,375
Transfers to other funds	9,241	9,241	9,241	-
<b>Total Charges to Appropriations</b>	<b>1,020,978</b>	<b>1,465,777</b>	<b>914,580</b>	<b>551,197</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 249,073</b>	<b>\$ 8,182</b>	<b>\$ 575,830</b>	<b>\$ 567,648</b>

## CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE  
 MEASURE A  
 YEAR ENDED JUNE 30, 2007

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 471,483	\$ 471,483	\$ 471,483	\$ -
<b>Resources (Inflows):</b>				
Taxes	700,000	700,000	793,325	93,325
Intergovernmental	-	207,000	-	(207,000)
Use of money and property	17,000	17,000	36,525	19,525
<b>Amounts Available for Appropriation</b>	<b>1,188,483</b>	<b>1,395,483</b>	<b>1,301,333</b>	<b>(94,150)</b>
<b>Charges to Appropriation (Outflow):</b>				
Capital outlay	680,000	680,000	-	680,000
Transfers to other funds	-	437,239	118,144	319,095
<b>Total Charges to Appropriations</b>	<b>680,000</b>	<b>1,117,239</b>	<b>118,144</b>	<b>999,095</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 508,483</b>	<b>\$ 278,244</b>	<b>\$ 1,183,189</b>	<b>\$ 904,945</b>

## CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE  
 SB 300 STREET  
 YEAR ENDED JUNE 30, 2007

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 129,939	\$ 129,939	\$ 129,939	\$ -
<b>Resources (Inflows):</b>				
Use of money and property	4,500	4,500	6,609	2,109
<b>Amounts Available for Appropriation</b>	<b>134,439</b>	<b>134,439</b>	<b>136,548</b>	<b>2,109</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 134,439</b>	<b>\$ 134,439</b>	<b>\$ 136,548</b>	<b>\$ 2,109</b>

## CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE  
 ARTICLE 3 SIDEWALK  
 YEAR ENDED JUNE 30, 2007

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 5,371	\$ 5,371	\$ 5,371	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	-	351,110	-	(351,110)
Use of money and property	1,000	1,000	320	(680)
Transfers from other funds	-	437,239	118,144	(319,095)
<b>Amounts Available for Appropriation</b>	<b>6,371</b>	<b>794,720</b>	<b>123,835</b>	<b>(670,885)</b>
<b>Charges to Appropriation (Outflow):</b>				
Capital outlay	-	788,349	-	788,349
<b>Total Charges to Appropriations</b>	<b>-</b>	<b>788,349</b>	<b>-</b>	<b>788,349</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 6,371</b>	<b>\$ 6,371</b>	<b>\$ 123,835</b>	<b>\$ 117,464</b>

## CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE  
 COMMUNITY DEVELOPMENT BLOCK GRANT  
 YEAR ENDED JUNE 30, 2007

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	180,433	1,080,863	947,211	(133,652)
<b>Amounts Available for Appropriation</b>	<b>180,433</b>	<b>1,080,863</b>	<b>947,211</b>	<b>(133,652)</b>
<b>Charges to Appropriation (Outflow):</b>				
Parks and recreation	31,000	32,000	10,000	22,000
Capital outlay	149,433	152,032	37,781	114,251
Transfers to other funds	-	896,831	899,430	(2,599)
<b>Total Charges to Appropriations</b>	<b>180,433</b>	<b>1,080,863</b>	<b>947,211</b>	<b>133,652</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

## CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE  
 LANDSCAPE MAINTENANCE DISTRICT  
 YEAR ENDED JUNE 30, 2007

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 48,091	\$ 48,091	\$ 48,091	\$ -
<b>Resources (Inflows):</b>				
Taxes	99,600	99,600	99,623	23
Use of money and property	800	800	1,438	638
Transfers from other funds	9,241	9,241	9,241	-
<b>Amounts Available for Appropriation</b>	<b>157,732</b>	<b>157,732</b>	<b>158,393</b>	<b>661</b>
<b>Charges to Appropriation (Outflow):</b>				
Public works	125,750	148,970	114,821	34,149
<b>Total Charges to Appropriations</b>	<b>125,750</b>	<b>148,970</b>	<b>114,821</b>	<b>34,149</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 31,982</b>	<b>\$ 8,762</b>	<b>\$ 43,572</b>	<b>\$ 34,810</b>

## CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE  
 AQMD AIR POLLUTION PROGRAM  
 YEAR ENDED JUNE 30, 2007

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 191,642	\$ 191,642	\$ 191,642	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	30,000	30,000	33,804	3,804
Use of money and property	2,500	2,500	9,158	6,658
<b>Amounts Available for Appropriation</b>	<b>224,142</b>	<b>224,142</b>	<b>234,604</b>	<b>10,462</b>
<b>Charges to Appropriation (Outflow):</b>				
Capital outlay	162,000	162,000	26,211	135,789
<b>Total Charges to Appropriations</b>	<b>162,000</b>	<b>162,000</b>	<b>26,211</b>	<b>135,789</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 62,142</b>	<b>\$ 62,142</b>	<b>\$ 208,393</b>	<b>\$ 146,251</b>



## CITY OF BANNING

**BUDGETARY COMPARISON SCHEDULE  
SUPPLEMENTAL LAW ENFORCEMENT  
YEAR ENDED JUNE 30, 2007**

	<b>Budget Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
Budgetary Fund Balance, July 1	\$ 100,705	\$ 100,705	\$ 100,705	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	-	100,000	100,000	-
Use of money and property	200	200	3,518	3,318
<b>Amounts available for appropriation</b>	<b>100,905</b>	<b>200,905</b>	<b>204,223</b>	<b>3,318</b>
<b>Charges to Appropriation (Outflow):</b>				
Public safety	-	61,136	54,761	6,375
Capital Outlay	-	139,568	116,688	22,880
<b>Total Charges to Appropriations</b>	<b>-</b>	<b>200,704</b>	<b>171,449</b>	<b>29,255</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 100,905</b>	<b>\$ 201</b>	<b>\$ 32,774</b>	<b>\$ 32,573</b>

## CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE  
PUBLIC SAFETY SALES TAX  
YEAR ENDED JUNE 30, 2007

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 105,160	\$ 105,160	\$ 105,160	\$ -
<b>Resources (Inflows):</b>				
Taxes	220,000	220,000	236,989	16,989
Use of money and property	2,000	2,000	3,269	1,269
<b>Amounts Available for Appropriation</b>	<b>327,160</b>	<b>327,160</b>	<b>345,418</b>	<b>18,258</b>
<b>Charges to Appropriation (Outflow):</b>				
Transfers to other funds	280,000	280,000	280,000	-
<b>Total Charges to Appropriations</b>	<b>280,000</b>	<b>280,000</b>	<b>280,000</b>	<b>-</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 47,160</b>	<b>\$ 47,160</b>	<b>\$ 65,418</b>	<b>\$ 18,258</b>

## CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE  
 STATE PARK BOND ACT  
 YEAR ENDED JUNE 30, 2007

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 847	\$ 847	\$ 847	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	-	843,382	843,382	-
Use of money and property	25	25	43	18
<b>Amounts Available for Appropriation</b>	<b>872</b>	<b>844,254</b>	<b>844,272</b>	<b>18</b>
<b>Charges to Appropriation (Outflow):</b>				
Transfers to other funds	-	843,382	843,382	-
<b>Total Charges to Appropriations</b>	<b>-</b>	<b>843,382</b>	<b>843,382</b>	<b>-</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 872</b>	<b>\$ 872</b>	<b>\$ 890</b>	<b>\$ 18</b>

## CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE  
 SPECIAL DONATIONS  
 YEAR ENDED JUNE 30, 2007

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 281,012	\$ 281,012	\$ 281,012	\$ -
<b>Resources (Inflows):</b>				
Other	4,000	10,811	10,634	(177)
Transfers from other funds	15,000	15,000	15,000	-
<b>Amounts Available for Appropriation</b>	<b>300,012</b>	<b>306,823</b>	<b>306,646</b>	<b>(177)</b>
<b>Charges to Appropriation (Outflow):</b>				
Parks and recreation	21,275	23,890	14,590	9,300
Transfers to other funds	-	266,541	266,541	-
<b>Total Charges to Appropriations</b>	<b>21,275</b>	<b>290,431</b>	<b>281,131</b>	<b>9,300</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 278,737</b>	<b>\$ 16,392</b>	<b>\$ 25,515</b>	<b>\$ 9,123</b>

## CITY OF BANNING

**BUDGETARY COMPARISON SCHEDULE**  
**SENIOR CENTER ACTIVITIES**  
**YEAR ENDED JUNE 30, 2007**

	<b>Budget Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
Budgetary fund balance, July 1	\$ 64,519	\$ 64,519	\$ 64,519	\$ -
<b>Resources (inflows):</b>				
Charges for services	800	800	375	(425)
Invest Income	2,200	2,200	3,268	1,068
Other	7,425	7,425	8,002	577
<b>Amounts available for appropriation</b>	<b>74,944</b>	<b>74,944</b>	<b>76,164</b>	<b>1,220</b>
<b>Charges to appropriation (outflow):</b>				
Parks and recreation	17,175	17,175	11,207	5,968
<b>Total Charges to Appropriations</b>	<b>17,175</b>	<b>17,175</b>	<b>11,207</b>	<b>5,968</b>
<b>Budgetary fund balance, June 30</b>	<b>\$ 57,769</b>	<b>\$ 57,769</b>	<b>\$ 64,957</b>	<b>\$ 7,188</b>

## CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE  
 POLICE VOLUNTEER  
 YEAR ENDED JUNE 30, 2007

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary fund balance, July 1	\$ 3,578	\$ 3,578	\$ 3,578	\$ -
<b>Resources (inflows):</b>				
Invest Income	150	150	179	29
Transfers from other funds	3,000	3,000	3,000	-
<b>Amounts available for appropriation</b>	<b>6,728</b>	<b>6,728</b>	<b>6,757</b>	<b>29</b>
<b>Charges to appropriation (outflow):</b>				
Public safety	5,450	5,450	5,321	129
<b>Total Charges to Appropriations</b>	<b>5,450</b>	<b>5,450</b>	<b>5,321</b>	<b>129</b>
<b>Budgetary fund balance, June 30</b>	<b>\$ 1,278</b>	<b>\$ 1,278</b>	<b>\$ 1,436</b>	<b>\$ 158</b>

## CITY OF BANNING

## BUDGETARY COMPARISON SCHEDULE

D.A.R.E. / G.R.E.A.T.

YEAR ENDED JUNE 30, 2007

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary fund balance, July 1	\$ 8,637	\$ 8,637	\$ 8,637	\$ -
<b>Resources (inflows):</b>				
Intergovernmental	-	131,136	131,136	-
Invest Income	300	300	1,716	1,416
Other	-	-	2,880	2,880
<b>Amounts available for appropriation</b>	<b>8,937</b>	<b>140,073</b>	<b>144,369</b>	<b>4,296</b>
<b>Charges to appropriation (outflow):</b>				
Public safety	-	131,136	127,469	3,667
<b>Total Charges to Appropriations</b>	<b>-</b>	<b>131,136</b>	<b>127,469</b>	<b>3,667</b>
<b>Budgetary fund balance, June 30</b>	<b>\$ 8,937</b>	<b>\$ 8,937</b>	<b>\$ 16,900</b>	<b>\$ 7,963</b>

## CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE  
 RAMSEY/HIGHLAND HOME SIGNAL  
 YEAR ENDED JUNE 30, 2007

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary fund balance, July 1	\$ 70,714	\$ 70,714	\$ 70,714	\$ -
<b>Resources (inflows):</b>				
Invest Income	2,500	2,500	3,596	1,096
<b>Amounts available for appropriation</b>	<b>73,214</b>	<b>73,214</b>	<b>74,310</b>	<b>1,096</b>
<b>Budgetary fund balance, June 30</b>	<b>\$ 73,214</b>	<b>\$ 73,214</b>	<b>\$ 74,310</b>	<b>\$ 1,096</b>



## CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE  
 WILSON MEDIAN IMPROVEMENT  
 YEAR ENDED JUNE 30, 2007

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary fund balance, July 1	\$ 330,894	\$ 330,894	\$ 330,894	\$ -
<b>Resources (inflows):</b>				
Invest Income	12,000	12,000	16,829	4,829
<b>Amounts available for appropriation</b>	<b>342,894</b>	<b>342,894</b>	<b>347,723</b>	<b>4,829</b>
<b>Budgetary fund balance, June 30</b>	<b>\$ 342,894</b>	<b>\$ 342,894</b>	<b>\$ 347,723</b>	<b>\$ 4,829</b>

## CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE  
 ANIMAL CONTROL RESERVE  
 YEAR ENDED JUNE 30, 2007

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary fund balance, July 1	\$ 4,299	\$ 4,299	\$ 4,299	\$ -
<b>Resources (inflows):</b>				
Invest Income	150	150	219	69
<b>Amounts available for appropriation</b>	<b>4,449</b>	<b>4,449</b>	<b>4,518</b>	<b>69</b>
<b>Budgetary fund balance, June 30</b>	<b>\$ 4,449</b>	<b>\$ 4,449</b>	<b>\$ 4,518</b>	<b>\$ 69</b>

## CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE  
 ASSET FORFEITURE  
 YEAR ENDED JUNE 30, 2007

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary fund balance, July 1	\$ 5,385	\$ 5,385	\$ 5,385	\$ -
<b>Resources (inflows):</b>				
Invest Income	50	50	210	160
<b>Amounts available for appropriation</b>	<b>5,435</b>	<b>5,435</b>	<b>5,595</b>	<b>160</b>
<b>Charges to appropriation (outflow):</b>				
Public safety	-	5,346	3,290	2,056
<b>Total Charges to Appropriations</b>	<b>-</b>	<b>5,346</b>	<b>3,290</b>	<b>2,056</b>
<b>Budgetary fund balance, June 30</b>	<b>\$ 5,435</b>	<b>\$ 89</b>	<b>\$ 2,305</b>	<b>\$ 2,216</b>

## CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE  
 SAN GORGONIO GANG TASK FORCE  
 YEAR ENDED JUNE 30, 2007

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary fund balance, July 1	\$ 10,056	\$ 10,056	\$ 10,056	\$ -
<b>Resources (inflows):</b>				
Invest Income	-	-	357	357
<b>Amounts available for appropriation</b>	<b>10,056</b>	<b>10,056</b>	<b>10,413</b>	<b>357</b>
<b>Charges to appropriation (outflow):</b>				
Public safety	-	10,000	7,351	2,649
<b>Total Charges to Appropriations</b>	<b>-</b>	<b>10,000</b>	<b>7,351</b>	<b>2,649</b>
<b>Budgetary fund balance, June 30</b>	<b>\$ 10,056</b>	<b>\$ 56</b>	<b>\$ 3,062</b>	<b>\$ 3,006</b>

## CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE  
 CAPITAL IMPROVEMENT FUND  
 YEAR ENDED JUNE 30, 2007

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 17,007,216	\$17,007,216	\$ 17,007,216	\$ -
<b>Resources (Inflows):</b>				
Use of money and property	400,000	550,000	835,454	285,454
<b>Amounts Available for Appropriation</b>	<b>17,407,216</b>	<b>17,557,216</b>	<b>17,842,670</b>	<b>285,454</b>
<b>Charges to Appropriation (Outflow):</b>				
Public safety	-	537,472	512,786	24,686
Capital outlay	-	174,399	162,225	12,174
Transfers to other funds	-	2,000,000	1,417,973	582,027
<b>Total Charges to Appropriations</b>	<b>-</b>	<b>2,711,871</b>	<b>2,092,984</b>	<b>618,887</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 17,407,216</b>	<b>\$14,845,345</b>	<b>\$ 15,749,686</b>	<b>\$ 904,341</b>

## CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE  
 POLICE FACILITIES DEVELOPMENT  
 YEAR ENDED JUNE 30, 2007

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 64,082	\$ 64,082	\$ 64,082	\$ -
<b>Resources (Inflows):</b>				
Use of money and property	16,000	16,000	2,285	(13,715)
Other	80,104	80,104	28,977	(51,127)
<b>Amounts Available for Appropriation</b>	<b>160,186</b>	<b>160,186</b>	<b>95,344</b>	<b>(64,842)</b>
<b>Charges to Appropriation (Outflow):</b>				
Capital outlay	-	152,328	72,452	79,876
<b>Total Charges to Appropriations</b>	<b>-</b>	<b>152,328</b>	<b>72,452</b>	<b>79,876</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 160,186</b>	<b>\$ 7,858</b>	<b>\$ 22,892</b>	<b>\$ 15,034</b>

## CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE  
 FIRE FACILITIES DEVELOPMENT  
 YEAR ENDED JUNE 30, 2007

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 736,990	\$ 736,990	\$ 736,990	\$ -
<b>Resources (Inflows):</b>				
Use of money and property	24,000	24,000	38,488	14,488
Other	129,471	129,471	36,031	(93,440)
<b>Amounts Available for Appropriation</b>	<b>890,461</b>	<b>890,461</b>	<b>811,509</b>	<b>(78,952)</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 890,461</b>	<b>\$ 890,461</b>	<b>\$ 811,509</b>	<b>\$ (78,952)</b>

## CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE  
 TRAFFIC CONTROL FACILITIES  
 YEAR ENDED JUNE 30, 2007

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 460,073	\$ 460,073	\$ 460,073	\$ -
<b>Resources (Inflows):</b>				
Use of money and property	15,000	15,000	23,905	8,905
Other	44,880	44,880	16,730	(28,150)
<b>Amounts Available for Appropriation</b>	<b>519,953</b>	<b>519,953</b>	<b>500,708</b>	<b>(19,245)</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 519,953</b>	<b>\$ 519,953</b>	<b>\$ 500,708</b>	<b>\$ (19,245)</b>



## CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE  
 GENERAL FACILITIES  
 YEAR ENDED JUNE 30, 2007

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 438,791	\$ 438,791	\$ 438,791	\$ -
<b>Resources (Inflows):</b>				
Use of money and property	14,500	14,500	22,038	7,538
Other	44,880	44,880	15,136	(29,744)
<b>Amounts Available for Appropriation</b>	<b>498,171</b>	<b>498,171</b>	<b>475,965</b>	<b>(22,206)</b>
<b>Charges to Appropriation (Outflow):</b>				
General government	-	29,200	24,800	4,400
Capital Outlay	-	16,284	16,284	-
<b>Total Charges to Appropriations</b>	<b>-</b>	<b>45,484</b>	<b>41,084</b>	<b>4,400</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 498,171</b>	<b>\$ 452,687</b>	<b>\$ 434,881</b>	<b>\$ (17,806)</b>

## CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE  
 PARK DEVELOPMENT  
 YEAR ENDED JUNE 30, 2007

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 683,116	\$ 683,116	\$ 683,116	\$ -
<b>Resources (Inflows):</b>				
Use of money and property	34,000	34,000	31,793	(2,207)
Other	219,780	219,780	32,019	(187,761)
<b>Amounts Available for Appropriation</b>	<b>936,896</b>	<b>936,896</b>	<b>746,928</b>	<b>(189,968)</b>
<b>Charges to Appropriation (Outflow):</b>				
Parks and recreation	125,000	125,000	-	125,000
Capital Outlay	-	74,517	47,382	27,135
Transfers to other funds	-	279,367	279,367	-
<b>Total Charges to Appropriations</b>	<b>125,000</b>	<b>478,884</b>	<b>326,749</b>	<b>152,135</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 811,896</b>	<b>\$ 458,012</b>	<b>\$ 420,179</b>	<b>\$ (37,833)</b>

## CITY OF BANNING

**BUDGETARY COMPARISON SCHEDULE**  
**FAIR OAKS AD 2004-1**  
**YEAR ENDED JUNE 30, 2007**

	<b>Budget Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
Budgetary Fund Balance, July 1	\$ 62,272	\$ 62,272	\$ 62,272	\$ -
<b>Resources (Inflows):</b>				
Use of money and property	-	1,286	1,286	-
<b>Amounts Available for Appropriation</b>	<b>62,272</b>	<b>63,558</b>	<b>63,558</b>	<b>-</b>
<b>Charges to Appropriation (Outflow):</b>				
Capital Outlay	-	63,558	63,558	-
<b>Total Charges to Appropriations</b>	<b>-</b>	<b>63,558</b>	<b>63,558</b>	<b>-</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 62,272</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

## CITY OF BANNING

**BUDGETARY COMPARISON SCHEDULE**  
**REDEVELOPMENT AGENCY - CAPITAL PROJECTS FUND**  
**YEAR ENDED JUNE 30, 2007**

	<b>Budget Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
Budgetary Fund Balance, July 1	\$ 11,739,872	\$ 11,739,872	\$ 11,739,872	\$ -
<b>Resources (Inflows):</b>				
Taxes	-	-	1,027,753	1,027,753
Use of money and property	434,100	434,100	613,768	179,668
Other	-	6,354	56,354	50,000
Long-term debt issued	-	-	24,940,342	24,940,342
Transfers from other funds	2,510,504	3,385,558	2,287,354	(1,098,204)
<b>Amounts Available for Appropriation</b>	<b>14,684,476</b>	<b>15,565,884</b>	<b>40,665,443</b>	<b>25,099,559</b>
<b>Charges to Appropriation (Outflow):</b>				
General government	2,660,855	3,725,307	3,170,786	554,521
Capital Outlay	3,528,000	5,220,950	1,069,715	4,151,235
Transfers to other funds	194,873	193,243	192,163	1,080
<b>Total Charges to Appropriations</b>	<b>6,383,728</b>	<b>9,139,500</b>	<b>4,432,664</b>	<b>4,706,836</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 8,300,748</b>	<b>\$ 6,426,384</b>	<b>\$ 36,232,779</b>	<b>\$ 29,806,395</b>

## CITY OF BANNING

**BUDGETARY COMPARISON SCHEDULE**  
**REDEVELOPMENT AGENCY - DEBT SERVICE FUND**  
**YEAR ENDED JUNE 30, 2007**

	<b>Budget Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
Budgetary Fund Balance, July 1	\$ 3,038,887	\$ 3,038,887	\$ 3,038,887	\$ -
<b>Resources (Inflows):</b>				
Taxes	2,678,246	3,805,137	3,324,855	(480,282)
Use of money and property	571,500	582,500	661,288	78,788
Long-term debt issued	-	-	5,024,658	5,024,658
Transfers from other funds	193,243	193,243	191,083	(2,160)
<b>Amounts Available for Appropriation</b>	<b>6,481,876</b>	<b>7,619,767</b>	<b>12,240,771</b>	<b>4,621,004</b>
<b>Charges to Appropriation (Outflow):</b>				
General government	29,800	174,811	39,801	135,010
Debt service:				
Principal	669,389	669,389	610,000	59,389
Interest and fiscal charges	896,521	908,915	909,165	(250)
Debt issuance costs	-	884,845	884,845	-
Discount on bond issued	-	831,577	831,577	-
Transfers to other funds	3,892,125	3,294,255	2,286,274	1,007,981
<b>Total Charges to Appropriations</b>	<b>5,487,835</b>	<b>6,763,792</b>	<b>5,561,662</b>	<b>1,202,130</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 994,041</b>	<b>\$ 855,975</b>	<b>\$ 6,679,109</b>	<b>\$ 5,823,134</b>

## CITY OF BANNING

**COMBINING STATEMENT OF NET ASSETS**  
**NONMAJOR ENTERPRISE FUNDS**  
**JUNE 30, 2007**

	<u>Airport</u>	<u>Transit</u>	<u>Refuse Utility</u>	<u>Totals</u>
<b>Assets:</b>				
Current:				
Cash and investments	\$ 234,033	\$ 300,273	\$ 292,076	\$ 826,382
Receivables:				
Accounts	3,217	-	376,690	379,907
Interest	2,484	3,426	3,390	9,300
Due from other governments	-	40,443	7,476	47,919
Inventories	11,186	-	-	11,186
<b>Total Current Assets</b>	<b>250,920</b>	<b>344,142</b>	<b>679,632</b>	<b>1,274,694</b>
Noncurrent:				
Capital assets - net of accumulated depreciation	1,905,863	375,230	20,985	2,302,078
<b>Total Noncurrent Assets</b>	<b>1,905,863</b>	<b>375,230</b>	<b>20,985</b>	<b>2,302,078</b>
<b>Total Assets</b>	<b>\$ 2,156,783</b>	<b>\$ 719,372</b>	<b>\$ 700,617</b>	<b>\$ 3,576,772</b>
<b>Liabilities and Net Assets:</b>				
<b>Liabilities:</b>				
Current:				
Accounts payable	\$ 188	\$ 45	\$ 224,987	\$ 225,220
Accrued payroll payable	1,604	23,350	2,312	27,266
Deposits payable	21,352	-	54,939	76,291
Unearned revenue	-	286,662	-	286,662
<b>Total Current Liabilities</b>	<b>23,144</b>	<b>310,057</b>	<b>282,238</b>	<b>615,439</b>
Noncurrent:				
Advances from other funds	111,245	-	-	111,245
Compensated absences	751	34,085	18,666	53,502
<b>Total Noncurrent Liabilities</b>	<b>111,996</b>	<b>34,085</b>	<b>18,666</b>	<b>164,747</b>
<b>Total Liabilities</b>	<b>135,140</b>	<b>344,142</b>	<b>300,904</b>	<b>780,186</b>
<b>Net Assets:</b>				
Invested in capital assets, net of related debt	1,905,863	375,230	20,985	2,302,078
Unrestricted	115,780	-	378,728	494,508
<b>Total Net Assets</b>	<b>2,021,643</b>	<b>375,230</b>	<b>399,713</b>	<b>2,796,586</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 2,156,783</b>	<b>\$ 719,372</b>	<b>\$ 700,617</b>	<b>\$ 3,576,772</b>

## CITY OF BANNING

COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET ASSETS  
NONMAJOR ENTERPRISE FUNDS  
YEAR ENDED JUNE 30, 2007

	<u>Airport</u>	<u>Transit</u>	<u>Refuse Utility</u>	<u>Totals</u>
<b>Operating Revenues:</b>				
Sales and service charges	\$ 303,213	\$ 113,040	\$ 2,742,855	\$ 3,159,108
<b>Total Operating Revenues</b>	<b>303,213</b>	<b>113,040</b>	<b>2,742,855</b>	<b>3,159,108</b>
<b>Operating Expenses:</b>				
Salaries and benefits	39,334	651,406	73,680	764,420
Supplies and services	172,761	418,629	2,672,300	3,263,690
Depreciation	108,252	236,814	2,623	347,689
<b>Total Operating Expenses</b>	<b>320,347</b>	<b>1,306,849</b>	<b>2,748,603</b>	<b>4,375,799</b>
Operating Income (Loss)	(17,134)	(1,193,809)	(5,748)	(1,216,691)
<b>Nonoperating Revenues (Expenses):</b>				
Intergovernmental	-	966,088	41,196	1,007,284
Interest revenue	10,204	12,548	15,672	38,424
Interest expense	(6,375)	-	-	(6,375)
Miscellaneous	-	-	21,749	21,749
<b>Total Nonoperating Revenues (Expenses)</b>	<b>3,829</b>	<b>978,636</b>	<b>78,617</b>	<b>1,061,082</b>
Income (Loss) Before Transfers	(13,305)	(215,173)	72,869	(155,609)
Transfers in	-	-	761	761
Transfers out	-	-	(55,000)	(55,000)
Changes in Net Assets	(13,305)	(215,173)	18,630	(209,848)
<b>Net Assets:</b>				
Beginning of Year, as originally reported	2,034,948	594,510	381,083	3,010,541
Restatements	-	(4,107)	-	(4,107)
Beginning of Fiscal Year, as restated	2,034,948	590,403	381,083	3,006,434
<b>End of Fiscal Year</b>	<b>\$ 2,021,643</b>	<b>\$ 375,230</b>	<b>\$ 399,713</b>	<b>\$ 2,796,586</b>

## CITY OF BANNING

**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR ENTERPRISE FUNDS**  
**YEAR ENDED JUNE 30, 2007**

	<u>Airport</u>	<u>Transit</u>	<u>Refuse Utility</u>	<u>Totals</u>
<b>Cash Flows from Operating Activities:</b>				
Cash received from customers and users	\$ 301,404	\$ 143,331	\$ 2,660,598	\$ 3,105,333
Cash paid to supplies for goods and services	(171,875)	(286,896)	(2,638,035)	(3,096,806)
Cash paid to employees for services	(38,060)	(683,447)	(55,945)	(777,452)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>91,469</b>	<b>(827,012)</b>	<b>(33,382)</b>	<b>(768,925)</b>
<b>Cash Flows from Non-Capital</b>				
<b>Financing Activities:</b>				
Cash transfers out	-	-	(55,000)	(55,000)
Cash transfers in	-	-	761	761
Repayment of advances	(55,000)	-	-	(55,000)
Intergovernmental	-	966,088	41,196	1,007,284
Miscellaneous	-	-	21,749	21,749
<b>Net Cash Provided (Used) by</b>				
<b>Non-Capital Financing Activities</b>	<b>(55,000)</b>	<b>966,088</b>	<b>8,706</b>	<b>919,794</b>
<b>Cash Flows from Capital</b>				
<b>and Related Financing Activities:</b>				
Purchase, acquisition and construction of capital assets	-	(21,640)	(23,608)	(45,248)
Interest paid	(6,375)	-	-	(6,375)
<b>Net Cash Provided (Used) by</b>				
<b>Capital and Related Financing Activities</b>	<b>(6,375)</b>	<b>(21,640)</b>	<b>(23,608)</b>	<b>(51,623)</b>
<b>Cash Flows from Investing Activities:</b>				
Interest received	9,745	9,122	15,945	34,812
<b>Net Cash Provided (Used) by</b>				
<b>Investing Activities</b>	<b>9,745</b>	<b>9,122</b>	<b>15,945</b>	<b>34,812</b>
<b>Net Increase (Decrease) in Cash</b>				
<b>and Cash Equivalents</b>	<b>39,839</b>	<b>126,558</b>	<b>(32,339)</b>	<b>134,058</b>
Cash and Cash Equivalents at Beginning of Year	194,194	173,715	324,415	692,324
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 234,033</b>	<b>\$ 300,273</b>	<b>\$ 292,076</b>	<b>\$ 826,382</b>



## CITY OF BANNING

COMBINING STATEMENT OF CASH FLOWS  
 NONMAJOR ENTERPRISE FUNDS  
 YEAR ENDED JUNE 30, 2007

	<u>Airport</u>	<u>Transit</u>	<u>Refuse Utility</u>	<u>Totals</u>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>				
Operating income (loss)	<u>\$ (17,134)</u>	<u>\$ (1,193,809)</u>	<u>\$ (5,748)</u>	<u>\$ (1,216,691)</u>
<b>Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:</b>				
Depreciation	108,252	236,814	2,623	347,689
(Increase) decrease in accounts receivable	(1,809)	-	(74,781)	(76,590)
(Increase) decrease in due from other governments	-	30,291	(7,476)	22,815
(Increase) decrease in inventories	8,761	-	-	8,761
Increase (decrease) in accounts payable	(1,482)	(3,778)	26,587	21,327
Increase (decrease) in accrued payroll payable	523	(6,396)	1,370	(4,503)
Increase (decrease) in deposits payable	(6,393)	-	7,678	1,285
Increase (decrease) in unearned revenue	-	135,511	-	135,511
Increase (decrease) in compensated absences	751	(25,645)	16,365	(8,529)
<b>Total Adjustments</b>	<u>108,603</u>	<u>366,797</u>	<u>(27,634)</u>	<u>447,766</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u><u>\$ 91,469</u></u>	<u><u>\$ (827,012)</u></u>	<u><u>\$ (33,382)</u></u>	<u><u>\$ (768,925)</u></u>

**Non-Cash Investing, Capital, and Financing Activities:**

There were no noncash transactions during the year.

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## CITY OF BANNING

COMBINING STATEMENT OF NET ASSETS  
INTERNAL SERVICE FUNDS  
JUNE 30, 2007

	Self Insurance	Fleet Maintenance	Information Services
<b>Assets:</b>			
Current:			
Cash and investments	\$ 2,469,933	\$ 139,618	\$ 167,289
Receivables (net of allowance for uncollectibles):			
Accounts	27,319	18,535	5,840
Interest	15,052	2,157	1,901
Loans	-	1,676	-
Due from other governments	-	45,505	-
Inventories	-	58,700	-
<b>Total Current Assets</b>	<b>2,512,304</b>	<b>266,191</b>	<b>175,030</b>
Noncurrent:			
Capital assets - net of accumulated depreciation	-	372,385	91,106
<b>Total Assets</b>	<b>\$ 2,512,304</b>	<b>\$ 638,576</b>	<b>\$ 266,136</b>
<b>Liabilities and Fund Equity:</b>			
<b>Liabilities:</b>			
Current:			
Accounts payable	\$ 16,163	\$ 82	\$ 1,473
Accrued liabilities	6,897	15,831	13,024
Deposits payable	928	-	-
<b>Total Current Liabilities</b>	<b>23,988</b>	<b>15,913</b>	<b>14,497</b>
Noncurrent:			
Claims payable	921,337	-	-
Compensated absences	16,473	62,510	27,964
<b>Total Long-Term Liabilities:</b>	<b>937,810</b>	<b>62,510</b>	<b>27,964</b>
<b>Total Liabilities</b>	<b>961,798</b>	<b>78,423</b>	<b>42,461</b>
<b>Net Assets:</b>			
Invested in capital assets, net of related debts	-	372,385	91,106
Unrestricted	1,550,506	187,768	132,569
<b>Total Net Assets</b>	<b>1,550,506</b>	<b>560,153</b>	<b>223,675</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 2,512,304</b>	<b>\$ 638,576</b>	<b>\$ 266,136</b>

## CITY OF BANNING

**COMBINING STATEMENT OF NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**JUNE 30, 2007**

	<b>Public Works Administration</b>	<b>Utility Billing Accounting &amp; Collection</b>	<b>Total</b>
<b>Assets:</b>			
Current:			
Cash and investments	\$ -	\$ 417,884	\$ 3,194,724
Receivables (net of allowance for uncollectibles):			
Accounts	-	32,719	84,413
Interest	-	4,732	23,842
Loans	-	1,676	3,352
Due from other governments	-	-	45,505
Inventories	-	-	58,700
<b>Total Current Assets</b>	<b>-</b>	<b>457,011</b>	<b>3,410,536</b>
Noncurrent:			
Capital assets - net of accumulated depreciation	-	45,404	508,895
<b>Total Assets</b>	<b>\$ -</b>	<b>\$ 502,415</b>	<b>\$ 3,919,431</b>
<b>Liabilities and Fund Equity:</b>			
<b>Liabilities:</b>			
Current:			
Accounts payable	\$ -	\$ 3,301	\$ 21,019
Accrued liabilities	-	32,313	68,065
Deposits payable	-	-	928
<b>Total Current Liabilities</b>	<b>-</b>	<b>35,614</b>	<b>90,012</b>
Noncurrent:			
Claims payable	-	-	921,337
Compensated absences	-	72,406	179,353
<b>Total Long-Term Liabilities:</b>	<b>-</b>	<b>72,406</b>	<b>1,100,690</b>
<b>Total Liabilities</b>	<b>-</b>	<b>108,020</b>	<b>1,190,702</b>
<b>Net Assets:</b>			
Invested in capital assets, net of related debts	-	45,404	508,895
Unrestricted	-	348,991	2,219,834
<b>Total Net Assets</b>	<b>-</b>	<b>394,395</b>	<b>2,728,729</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ -</b>	<b>\$ 502,415</b>	<b>\$ 3,919,431</b>

## CITY OF BANNING

COMBINING STATEMENT OF REVENUES,  
EXPENSES AND CHANGES IN FUND NET ASSETS  
INTERNAL SERVICE FUNDS  
YEAR ENDED JUNE 30, 2007

	Self Insurance	Fleet Maintenance	Information Services
<b>Operating Revenues:</b>			
Sales and service charges	\$ 1,559,383	\$ 1,206,103	\$ 450,579
<b>Total Operating Revenues</b>	<b>1,559,383</b>	<b>1,206,103</b>	<b>450,579</b>
<b>Operating Expenses:</b>			
Salaries and benefits	136,881	358,671	266,615
Supplies and services	1,153,264	732,036	100,803
Repairs and maintenance	-	81,056	47,526
Insurance premiums	820,252	-	-
Depreciation	-	15,700	26,049
<b>Total Operating Expenses</b>	<b>2,110,397</b>	<b>1,187,463</b>	<b>440,993</b>
Operating Income (Loss)	(551,014)	18,640	9,586
<b>Non-Operating Revenues (Expenses):</b>			
Interest revenue	116,817	8,007	7,929
Intergovernmental	-	45,505	-
Miscellaneous	116,071	-	5,840
<b>Total Non-Operating Revenues</b>	<b>232,888</b>	<b>53,512</b>	<b>13,769</b>
Income Before Contributions and Transfers	(318,126)	72,152	23,355
Transfers out	-	-	-
Change in Net Assets	(318,126)	72,152	23,355
<b>Net Assets:</b>			
Beginning of Year, as originally reported	1,868,632	488,129	200,320
Restatements	-	(128)	-
Beginning of Fiscal Year, as restated	1,868,632	488,001	200,320
Change in Net Assets	(318,126)	72,152	23,355
<b>End of Fiscal Year</b>	<b>\$ 1,550,506</b>	<b>\$ 560,153</b>	<b>\$ 223,675</b>

## CITY OF BANNING

COMBINING STATEMENT OF REVENUES,  
EXPENSES AND CHANGES IN FUND NET ASSETS  
INTERNAL SERVICE FUNDS  
YEAR ENDED JUNE 30, 2007

	Public Works Administration	Utility Billing Accounting & Collection	Totals
<b>Operating Revenues:</b>			
Sales and service charges	\$ -	\$ 1,408,355	\$ 4,624,420
<b>Total Operating Revenues</b>	<b>-</b>	<b>1,408,355</b>	<b>4,624,420</b>
<b>Operating Expenses:</b>			
Salaries and benefits	-	769,931	1,532,098
Supplies and services	-	487,162	2,473,265
Repairs and maintenance	-	31,766	160,348
Insurance premiums	-	-	820,252
Depreciation	-	12,858	54,607
<b>Total Operating Expenses</b>	<b>-</b>	<b>1,301,717</b>	<b>5,040,570</b>
Operating Income (Loss)	-	106,638	(416,150)
<b>Non-Operating Revenues (Expenses):</b>			
Interest revenue	-	17,760	150,513
Intergovernmental	-	-	45,505
Miscellaneous	-	-	121,911
<b>Total Non-Operating Revenues</b>	<b>-</b>	<b>17,760</b>	<b>317,929</b>
Income Before Contributions and Transfers	-	124,398	(98,221)
Transfers out	(12,956)	-	(12,956)
Change in Net Assets	(12,956)	124,398	(111,177)
<b>Net Assets:</b>			
Beginning of Year, as originally reported	60,528	269,997	2,887,606
Restatements	(47,572)	-	(47,700)
Beginning of Fiscal Year, as restated	12,956	269,997	2,839,906
Change in Net Assets	(12,956)	124,398	(111,177)
<b>End of Fiscal Year</b>	<b>\$ -</b>	<b>\$ 394,395</b>	<b>\$ 2,728,729</b>

## CITY OF BANNING

**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**YEAR ENDED JUNE 30, 2007**

	<b>Self Insurance</b>	<b>Fleet Maintenance</b>	<b>Information Services</b>	<b>Public Works Administration</b>	<b>Utility Billing Accounting &amp; Collection</b>	<b>Totals</b>
<b>Cash Flows from Operating Activities:</b>						
Cash received from interfund service provided	\$ 1,532,064	\$ 1,164,179	\$ 444,739	\$ -	\$ 1,405,097	\$4,546,079
Cash paid to supplies for good and services	(1,177,219)	(834,615)	(163,391)	(145)	(519,138)	(2,694,508)
Cash paid to employees for services	(136,159)	(347,456)	(248,500)	(169,164)	(764,361)	(1,665,640)
Cash paid for claims	(356,099)	-	-	-	-	(356,099)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(137,413)</b>	<b>(17,892)</b>	<b>32,848</b>	<b>(169,309)</b>	<b>121,598</b>	<b>(170,168)</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>						
Cash transfers out	-	-	-	(12,956)	-	(12,956)
Intergovernmental	-	45,505	-	-	-	45,505
Miscellaneous	116,071	-	5,840	-	-	121,911
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<b>116,071</b>	<b>45,505</b>	<b>5,840</b>	<b>(12,956)</b>	<b>-</b>	<b>154,460</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>						
Proceeds from capital debt of capital assets	-	-	(14,408)	1,347	(24,189)	(37,250)
Principal paid on capital debt	-	-	(14,408)	1,347	(24,189)	(37,250)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>-</b>	<b>-</b>	<b>(14,408)</b>	<b>1,347</b>	<b>(24,189)</b>	<b>(37,250)</b>
<b>Cash Flows from Investing Activities:</b>						
Proceeds from the sales and maturities of investments	116,820	7,568	7,549	-	16,053	147,990
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>116,820</b>	<b>7,568</b>	<b>7,549</b>	<b>-</b>	<b>16,053</b>	<b>147,990</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>95,478</b>	<b>35,181</b>	<b>31,829</b>	<b>(180,918)</b>	<b>113,462</b>	<b>95,032</b>
Cash and Cash Equivalents at Beginning of Year	2,374,455	104,437	135,460	180,918	304,422	3,099,692
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 2,469,933</b>	<b>\$ 139,618</b>	<b>\$ 167,289</b>	<b>\$ -</b>	<b>\$ 417,884</b>	<b>\$3,194,724</b>

## CITY OF BANNING

COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
YEAR ENDED JUNE 30, 2007

	Self Insurance	Fleet Maintenance	Information Services	Public Works Administration	Utility Billing Accounting & Collection	Totals
<b>Provided (Used) by Operating Activities:</b>						
Operating income (loss)						
<b>Adjustments to reconcile operating income (loss)</b>	<b>\$ (551,014)</b>	<b>\$ 18,640</b>	<b>\$ 9,586</b>	<b>\$ -</b>	<b>\$ 106,638</b>	<b>\$ (416,150)</b>
<b>net cash provided (used) by operating activities:</b>						
Depreciation						
(Increase) decrease in accounts receivable	-	15,700	26,049	-	12,858	54,607
(Increase) decrease in loans	(27,319)	(946)	(5,840)	-	(6,033)	(40,138)
(Increase) decrease in due from other governments	-	1,758	-	-	2,775	4,533
(Increase) decrease in inventories	-	(42,736)	-	-	-	(42,736)
(Increase) decrease in deposits with other agencies	-	(6,428)	-	-	-	(6,428)
Increase (decrease) in accrued liabilities	(23,955)	(15,095)	(15,062)	(145)	(210)	(54,467)
Increase (decrease) in deposits payable	2,312	3,308	8,208	(11,820)	1,163	3,171
Increase (decrease) in compensated absences	464,153	-	-	-	-	464,153
	(1,590)	7,907	9,907	(157,344)	4,407	(136,713)
<b>Total Adjustments</b>						
	<b>413,601</b>	<b>(36,532)</b>	<b>23,262</b>	<b>(169,309)</b>	<b>14,960</b>	<b>245,982</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ (137,413)</b>	<b>\$ (17,892)</b>	<b>\$ 32,848</b>	<b>\$ (169,309)</b>	<b>\$ 121,598</b>	<b>\$ (170,168)</b>



## CITY OF BANNING

COMBINING BALANCE SHEET  
ALL AGENCY FUNDS  
JUNE 30, 2007

	Sun Lake CFD 86-1	Special AD 91-1	Area Police Computer	Fair Oaks AD 2004-1	Cameo Homes	Totals
<b>Assets:</b>						
Cash and investments	\$ 32,371	\$ 307,875	\$ -	\$ 94,076	\$ 41,700	\$ 476,022
Receivables:						
Interest	359	2,563	233	574	461	4,190
Due from other governments	-	9,890	34,056	32,687	-	76,633
Restricted assets:						
Cash with fiscal agent	-	344,536	-	193,572	-	538,108
<b>Total Assets</b>	<b>\$ 32,730</b>	<b>\$ 664,864</b>	<b>\$ 34,289</b>	<b>\$ 320,909</b>	<b>\$ 42,161</b>	<b>\$ 1,094,953</b>
<b>Liabilities:</b>						
Accounts payable	\$ -	\$ 1,430	\$ -	\$ -	\$ -	\$ 1,430
Deposits	-	14,457	-	-	40,000	54,457
Due to bondholders	32,730	648,977	26,521	320,909	2,161	1,031,298
Due to other governments	-	-	7,768	-	-	7,768
<b>Total Liabilities</b>	<b>\$ 32,730</b>	<b>\$ 664,864</b>	<b>\$ 34,289</b>	<b>\$ 320,909</b>	<b>\$ 42,161</b>	<b>\$ 1,094,953</b>

## CITY OF BANNING

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 ALL AGENCY FUNDS  
 YEAR ENDED JUNE 30, 2007

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
<b><u>Sun Lake CFD 86-1</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 30,540	\$ 1,858	\$ 27	\$ 32,371
Receivables (net of allowance for uncollectibles):				
Interest	310	359	310	359
Due from other governments	9	-	9	-
<b>Total Assets</b>	<b>\$ 30,859</b>	<b>\$ 2,217</b>	<b>\$ 346</b>	<b>\$ 32,730</b>
<b>Liabilities:</b>				
Due to bondholders	\$ 30,859	\$ 1,871	\$ -	\$ 32,730
<b>Total Liabilities</b>	<b>\$ 30,859</b>	<b>\$ 1,871</b>	<b>\$ -</b>	<b>\$ 32,730</b>
<b><u>Special AD 91-1</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 291,745	\$ 335,612	\$ 319,482	\$ 307,875
Receivables (net of allowance for uncollectibles):				
Interest	2,219	2,563	2,219	2,563
Due from other governments	6,208	7,364	3,682	9,890
Restricted assets:				
Cash with fiscal agent	343,439	17,150	16,053	344,536
<b>Total Assets</b>	<b>\$ 643,611</b>	<b>\$ 362,689</b>	<b>\$ 341,436</b>	<b>\$ 664,864</b>
<b>Liabilities:</b>				
Accounts payable	\$ 429	\$ 1,430	\$ 429	\$ 1,430
Deposits	14,457	-	-	14,457
Due to bondholders	628,725	356,602	336,350	648,977
<b>Total Liabilities</b>	<b>\$ 643,611</b>	<b>\$ 358,032</b>	<b>\$ 336,779</b>	<b>\$ 664,864</b>
<b><u>Area Police Computer</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 12,645	\$ 33,761	\$ 46,406	\$ -
Receivables (net of allowance for uncollectibles):				
Interest	571	233	571	233
Due from other governments	-	34,056	-	34,056
<b>Total Assets</b>	<b>\$ 13,216</b>	<b>\$ 68,050</b>	<b>\$ 46,977</b>	<b>\$ 34,289</b>
<b>Liabilities:</b>				
Due to bondholders	\$ 13,216	\$ 59,694	\$ 46,389	\$ 26,521
Due to other governments	-	7,768	-	7,768
<b>Total Liabilities</b>	<b>\$ 13,216</b>	<b>\$ 67,462</b>	<b>\$ 46,389</b>	<b>\$ 34,289</b>

## CITY OF BANNING

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 ALL AGENCY FUNDS  
 YEAR ENDED JUNE 30, 2007

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
<b><u>Fair Oaks AD 2004-1</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 118,525	\$ 196,066	\$ 220,515	\$ 94,076
Receivables (net of allowance for uncollectibles):				
Interest	728	574	728	574
Due from other governments	16,381	32,687	16,381	32,687
Restricted assets:				
Cash with fiscal agent	193,506	13,156	13,090	193,572
<b>Total Assets</b>	<b>\$ 329,140</b>	<b>\$ 242,483</b>	<b>\$ 250,714</b>	<b>\$ 320,909</b>
<b>Liabilities:</b>				
Due to bondholders	\$ 329,140	\$ 221,453	\$ 229,684	\$ 320,909
<b>Total Liabilities</b>	<b>\$ 329,140</b>	<b>\$ 221,453</b>	<b>\$ 229,684</b>	<b>\$ 320,909</b>
<b><u>Cameo Homes</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 39,943	\$ 1,791	\$ 34	\$ 41,700
Receivables (net of allowance for uncollectibles):				
Interest	206	461	206	461
<b>Total Assets</b>	<b>\$ 40,149</b>	<b>\$ 2,252</b>	<b>\$ 240</b>	<b>\$ 42,161</b>
<b>Liabilities:</b>				
Deposits	\$ 40,000	\$ -	\$ -	\$ 40,000
Due to bondholders	149	2,012	-	2,161
<b>Total Liabilities</b>	<b>\$ 40,149</b>	<b>\$ 2,012</b>	<b>\$ -</b>	<b>\$ 42,161</b>
<b><u>Total</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 493,398	\$ 569,088	\$ 586,464	\$ 476,022
Receivables (net of allowance for uncollectibles):				
Interest	4,034	4,190	4,034	4,190
Due from other governments	22,598	74,107	20,072	76,633
Restricted assets:				
Cash with fiscal agent	536,945	30,306	29,143	538,108
<b>Total Assets</b>	<b>\$ 1,056,975</b>	<b>\$ 677,691</b>	<b>\$ 639,713</b>	<b>\$ 1,094,953</b>
<b>Liabilities:</b>				
Accounts payable	\$ 429	\$ 1,430	\$ 429	\$ 1,430
Deposits	54,457	-	-	54,457
Due to bondholders	1,002,089	641,632	612,423	1,031,298
Due to other governments	-	7,768	-	7,768
<b>Total Liabilities</b>	<b>\$ 1,056,975</b>	<b>\$ 650,830</b>	<b>\$ 612,852</b>	<b>\$ 1,094,953</b>