



CITY OF BANNING, CALIFORNIA
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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TABLE OF CONTENTS

	<u>Page Number</u>
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Assets	13
Statement of Activities	14
Fund Financial Statements:	
Balance Sheet - Governmental Funds	16
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	19
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	23
Budgetary Comparison Statement - General Fund	24
Statement of Net Assets - Proprietary Funds	26
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	28
Statement of Cash Flows - Proprietary Funds	30
Statement of Fiduciary Net Assets – Fiduciary Funds	32
Notes to Financial Statements	33

CITY OF BANNING
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

TABLE OF CONTENTS

	<u>Page Number</u>	
COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES		
Combining Balance Sheet - Nonmajor Governmental Funds	66	
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	74	
 Budgetary Comparison Schedules - Special Revenue Funds		
Gas Tax Street	81	
Measure A	82	
SB 300 Street	83	
Article 3 Sidewalk	84	
Community Development Block Grant	85	
Landscape Maintenance District	86	
AQMD Air Pollution Program	87	
Asset Forfeiture	88	
San Gorgonio Gang Task Force	89	
Supplemental Law Enforcement	90	
Public Safety Sales Tax	91	
Special Donations	92	
Senior Center Activities	93	
Animal Control Reserve	94	
Police Volunteer	95	
D.A.R.E. / G.R.E.A.T.	96	
Ramsey/HIGHLAND Home Signal	97	
Wilson Median Improvement	98	
Riverside County MOU	99	
 Budgetary Comparison Schedules - Capital Projects Fund		
Police Facilities Development	100	
Fire Facilities Development	101	
Traffic Control Facilities	102	
General Facilities	103	
Park Development	104	
Capital Improvement	105	
Sunset Grade Separation	106	
Redevelopment Agency	107	
 Budgetary Comparison Schedule - Debt Service Fund - Redevelopment Agency		108
Combining Statement of Net Assets - Nonmajor Enterprise Funds	109	
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets - Nonmajor Enterprise Funds	110	

CITY OF BANNING
FINANCIAL STATEMENTS
JUNE 30, 2009

TABLE OF CONTENTS

	<u>Page Number</u>
Combining Statement of Cash Flows - Nonmajor Enterprise Funds.....	111
Combining Statement of Net Assets - Internal Service Funds	112
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets - Internal Service Funds.....	114
Combining Statement of Cash Flows - Internal Service Funds.....	116
Combining Balance Sheet - All Agency Funds.....	119
Combining Statement of Changes in Assets and Liabilities - All Agency Funds	120

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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, 2009, 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, 2009, 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 February 10, 2010, 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.

A handwritten signature in black ink that reads 'Lance, Soll & Lungard, LLP'. The signature is fluid and cursive, with 'Lance' and 'Soll' on the first line and '& Lungard, LLP' on the second line.

February 10, 2010

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, 2009. 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 \$120.3 million and \$111.6 million, respectively, at June 30, 2009.
- During the year, the City had revenues that were \$0.8 million less than the \$28.6 million in expenses recorded by the City in its governmental activities.
- In the City's business-type activities, revenues were \$3.1 million more than the \$43.8 million in expenses recorded.
- The revenues available for expenditure were \$0.65 million less than budgeted for in the General Fund. The City kept General Fund expenditures within spending limits by \$2.6 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 3. 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 \$232.0 million at June 30, 2009. 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, 2009 and 2008

	Governmental Activities	Business Type Activities	2009 Total	2008 Total
Current and other assets	\$ 73.34	\$ 101.55	\$ 174.89	\$ 188.14
Capital assets	100.42	105.01	205.43	194.79
TOTAL ASSETS	173.76	206.56	380.32	382.93
Long-term liabilities outstanding	48.11	89.56	137.67	140.78
Other liabilities	5.30	5.38	10.68	12.27
TOTAL LIABILITIES	53.41	94.94	148.35	153.05
Net assets:				
Invested in capital assets, net of related debt	84.08	55.25	139.33	156.26
Restricted for:				
Public Safety	0.56	-	0.56	17.23
Public Works	2.39	-	2.39	2.23
Capital Projects	23.42	33.74	57.16	81.86
Debt Service	1.83	5.66	7.49	13.09
Other Purpose	0.09	-	0.09	30.77
Unrestricted	7.98	16.97	24.95	(71.56)
TOTAL NET ASSETS	\$ 120.35	\$ 111.62	\$ 231.97	\$ 229.88

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 decreased by \$0.8 million, while net assets of the business-type funds increased by \$3.0 million.

TABLE 2
CHANGES IN NET ASSETS
(IN MILLIONS)

As of June 30, 2009 and 2008

	Governmental Activities	Business Type Activities	2009 Total	2008 Total
REVENUES:				
Program Revenues:				
Charges for services	\$ 3.41	\$ 41.07	\$ 44.48	\$ 42.97
Operating grants and contributions	5.92	2.57	8.49	3.83
Capital grants and contributions	1.03	0.09	1.12	14.87
General Revenues:				
Property taxes	9.52	-	9.52	10.33
Sales tax	3.02	-	3.02	3.86
Franchise taxes	0.82	-	0.82	0.74
Other taxes	0.67	-	0.67	0.67
Motor vehicle in-lieu	0.09	-	0.09	0.12
Use of money and property	1.82	2.29	4.11	9.12
Other revenues	1.50	0.92	2.42	1.75
TOTAL REVENUES	27.80	46.94	74.74	88.26
EXPENSES:				
General Government	6.85	-	6.85	5.08
Public Safety	11.60	-	11.60	14.94
Public Works	6.47	-	6.47	6.82
Parks and Recreation	1.49	-	1.49	1.33
Interest on long-term debt	2.19	-	2.19	2.08
Airport	-	0.10	0.10	0.40
Transit	-	1.43	1.43	1.41
Water	-	7.61	7.61	7.69
Electric	-	28.30	28.30	29.87
Wastewater	-	3.32	3.32	3.29
Refuse	-	3.07	3.07	2.88
TOTAL EXPENSES	28.60	43.83	72.43	75.79
INCREASE (DECREASE) IN NET ASSETS	\$ (0.80)	\$ 3.11	\$ 2.31	\$ 12.47

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, 2009

	<u>Total Cost of Services</u>	<u>Net Revenue (Expense)</u>
General Government	\$ 6.85	(\$ 1.21)
Public Safety	11.60	(9.49)
Public Works	6.47	(1.25)
Parks and Recreation	1.49	(4.10)
Interest on long-term debt	<u>2.19</u>	<u>(2.19)</u>
Total	<u><u>\$28.60</u></u>	<u><u>(\$18.24)</u></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, 2009

	<u>Total Cost of Services</u>	<u>Net Revenue (Expense)</u>
Airport	\$ 0.10	\$ 0.21
Transit	1.43	(0.16)
Water Utility	7.61	1.36
Electric Utility	28.30	(0.90)
Wastewater Utility	3.32	(0.67)
Refuse Utility	<u>3.07</u>	<u>0.05</u>
Total	<u><u>\$43.83</u></u>	<u><u>\$ (0.11)</u></u>

THE CITY'S FUNDS

On page 16, the governmental funds balance sheet is shown. The total fund balance for all governmental funds is \$61.14 million. This total includes the general fund balance of \$5.07 million. The City's general fund balance includes reserves for loans receivable as well as City Council adopted designations of fund balance totaling \$3.10 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 \$14.91 million were \$0.65 million less than the final budgeted revenues of \$15.56 million. The most significant variance was in other intergovernmental revenues, which was budgeted to be \$1.78 million; however, the actual was \$1.55 million. The other significant variances were in various forms of taxes. In these five categories, the City budgeted a total of \$8.87 million, and the actual was \$8.52 million.

The general fund actual ending expenditures of \$17.22 million were \$2.66 million less than the final budget of \$19.87 million. There were significant changes in the original budget compared to the final budget during the year. The original expenditure budget was \$18.30 million compared to the final budget of \$19.87 million, a \$1.57 million increase.

Even though the City's general fund appropriations increased by \$1.57 million to \$19.87 million, mainly due to the carryover of continuing appropriations as well as grants secured throughout the year, final expenditures were only \$17.22 million. The City's general fund showed a net decrease in fund balance of \$2.31 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the City had \$205.42 million invested in a broad range of capital assets (See Table 5).

TABLE 5
CAPITAL ASSETS BY ACTIVITY
(IN MILLIONS)

June 30, 2009

	Governmental Activities	Business Type Activities	Total
Land	\$ 3.09	\$ 1.18	\$ 4.27
Construction in progress	10.90	8.99	19.89
Buildings and Structures	3.56	0.15	3.71
Improvements	5.07	1.03	6.10
Machinery and Equipment	0.41	0.01	0.42
Vehicles	1.11	-	1.11
Utility Plant	-	93.65	93.65
Infrastructure	<u>76.27</u>	-	<u>76.27</u>
TOTALS	<u>\$ 100.41</u>	<u>\$ 105.01</u>	<u>\$ 205.42</u>

As presented in the Adopted Budget for Fiscal Year 2008-09, the CIP totals \$18.02 million for all categories of the capital improvement projects reported by the various City departments. The amount of the adopted projects reflects a \$7.81 million increase over the previous fiscal year's Adopted Capital Budget of \$10.21 million. However, several other capital projects were added to the budget throughout the year. For additional information on capital assets refer to the Notes to the Financial Statements.

Debt

At year-end, the City's governmental activities had \$48.93 million in bonds, loans, advances, leases, and compensated absences outstanding while the business-type activities had \$88.46 million in debt (see Table 6).

TABLE 6
DEBT RECAP BY ACTIVITY
(IN MILLIONS)

	June 30, 2009		
	Governmental Activities	Business Type Activities	Total
Compensated Absences	\$ 1.33	\$ 0.40	\$ 1.73
Tax Allocation Bonds	42.20	-	42.20
Certificates of Participation	4.49	-	4.49
Revenue Bonds	-	84.96	84.96
Claims & Judgments	0.73	-	0.73
Loans	0.18	3.10	3.28
TOTALS	<u>\$ 48.93</u>	<u>\$ 88.46</u>	<u>\$ 137.39</u>

During fiscal year ended June 30, 2009, the City paid \$0.39 million toward Redevelopment Tax Allocation Bonds and \$0.27 million toward COP's. 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, Electric 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 2010, 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 2010.
- The downturn in the housing market will have a continued adverse impact on various City revenues.
- Sales Tax revenue will not experience growth and is expected to decline.
- Property Tax revenue will not experience growth and is expected to decline.
- Investment revenues will not experience any growth.
- Development related revenues continue to be lower than the prior year levels due to reduced activity.

- 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 2009-10 Expenditure Budget of \$13.75 million is approximately \$6.12 million lower than the Final Amended Budget for Fiscal Year 2008-09. The largest portion of this net decrease is attributable to large reductions of expenditures made in various departments during the budget development process in response to known economic factors affecting the City. Reductions in expenditures included the elimination of approximately 30 FTE's, negotiated reductions in salary and benefits for remaining employees and a minimum of 5% cuts to non-payroll operating expenditures. In addition, there is also the absence of one-time expenditures and major capital projects in the adopted 2009-10 budget.

The Operating Budget for Fiscal Year 2009-10 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 2009-10 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, 2009

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and investments	\$ 29,500,405	\$ 47,569,825	\$ 77,070,230
Receivables:			
Accounts	512,309	5,586,253	6,098,562
Contract and notes	3,367,874	9,499	3,377,373
Accrued interest	108,534	172,736	281,270
Internal balances	(1,236,509)	1,236,509	-
Prepaid costs	84,810	-	84,810
Deposits	-	1,270,689	1,270,689
Due from other governments	1,269,176	1,395,094	2,664,270
Inventories	83,848	2,024,951	2,108,799
Unamortized debt issuance costs	1,352,243	1,869,742	3,221,985
Land held for resale	9,942,721	-	9,942,721
Restricted assets:			
Cash and investments	-	1,008,740	1,008,740
Cash with fiscal agent	28,359,466	39,399,119	67,758,585
Capital assets not being depreciated	13,992,344	10,174,887	24,167,231
Capital assets, net of depreciation	86,423,078	94,838,528	181,261,606
Total Assets	173,760,299	206,556,572	380,316,871
Liabilities:			
Accounts payable	2,834,204	3,880,321	6,714,525
Accrued liabilities	630,246	261,547	891,793
Accrued interest	796,361	557,727	1,354,088
Unearned revenue	-	109,296	109,296
Deposits payable	532,869	575,021	1,107,890
Due to other governments	510,680	-	510,680
Noncurrent liabilities:			
Due within one year	1,666,457	1,998,926	3,665,383
Due in more than one year	46,441,831	87,563,771	134,005,602
Total Liabilities	53,412,648	94,946,609	148,359,257
Net Assets:			
Invested in capital assets, net of related debt	84,076,905	55,245,549	139,322,454
Restricted for:			
Public safety	562,562	-	562,562
Public works	2,391,342	-	2,391,342
Capital projects	23,422,148	33,738,896	57,161,044
Debt service	1,831,071	5,660,223	7,491,294
Parks and recreation	87,762	-	87,762
Unrestricted	7,975,861	16,965,295	24,941,156
Total Net Assets	\$ 120,347,651	\$ 111,609,963	\$ 231,957,614

CITY OF BANNING

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009

	Program Revenues			
	Expenses	Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Governmental Activities:				
General government	\$ 6,849,047	\$ 2,686,405	\$ 2,956,676	\$ -
Public safety	11,595,346	127,293	1,980,056	-
Parks and recreation	1,492,798	97,701	128,102	16,812
Public works	6,467,587	499,133	852,917	1,015,765
Interest on long-term debt	2,193,202	-	-	-
Total Governmental Activities	28,597,980	3,410,532	5,917,751	1,032,577
Business-Type Activities:				
Airport	100,812	223,357	-	87,655
Transit	1,426,907	120,315	1,146,865	-
BUA Water Utility	7,613,339	7,583,435	1,388,600	-
Electric Utility	28,297,126	27,394,416	-	-
BUA Wastewater Utility	3,320,845	2,654,836	-	-
Refuse Utility	3,073,742	3,093,952	33,643	-
Total Business-Type Activities	43,832,771	41,070,311	2,569,108	87,655
Total Primary Government	\$ 72,430,751	\$ 44,480,843	\$ 8,486,859	\$ 1,120,232
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, unrestricted				
Use of money and property				
Other				
Transfers				
Total General and Transfers				
Change in Net Assets				
Net Assets at Beginning of Year				
Restatement of Net Assets				
Net Assets at End of Year				

Net (Expenses) Revenues and Changes in Net Assets**Primary Government**

Governmental Activities	Business-Type Activities	Total
\$ (1,205,966)	\$ -	\$ (1,205,966)
(9,487,997)	-	(9,487,997)
(1,250,183)	-	(1,250,183)
(4,099,772)	-	(4,099,772)
(2,193,202)	-	(2,193,202)
(18,237,120)	-	(18,237,120)
- 210,200		210,200
- (159,727)		(159,727)
- 1,358,696		1,358,696
- (902,710)		(902,710)
- (666,009)		(666,009)
- 53,853		53,853
- (105,697)		(105,697)
(18,237,120)	(105,697)	(18,342,817)
9,522,053	-	9,522,053
223,373	-	223,373
3,024,582	-	3,024,582
816,603	-	816,603
157,757	-	157,757
293,083	-	293,083
86,304	-	86,304
1,823,671	2,287,518	4,111,189
962,332	1,460,565	2,422,897
529,432	(529,432)	-
17,439,190	3,218,651	20,657,841
(797,930)	3,112,954	2,315,024
121,309,413	108,570,436	229,879,849
(163,832)	(73,427)	(237,259)
\$ 120,347,651	\$ 111,609,963	\$ 231,957,614

CITY OF BANNING

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	Capital Projects Funds		
	General	Capital Improvement	Redevelopment Agency
Assets:			
Pooled cash and investments	\$ 3,413,318	\$ 17,172	\$ 12,321,296
Receivables:			
Accounts	409,817	3,986	176
Loans	54,457	-	3,311,030
Interest	35,346	-	30,667
Prepaid costs	84,810	-	-
Due from other governments	853,205	-	-
Due from other funds	2,936,635	-	-
Land held for resale	-	-	9,942,721
Restricted assets:			
Cash and investments with fiscal agents	-	10,119,426	14,848,356
Total Assets	\$ 7,787,588	\$ 10,140,584	\$ 40,454,246
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	\$ 664,691	\$ 1,188,390	\$ 781,186
Accrued liabilities	493,748	-	35,091
Deferred revenues	306,609	-	3,009,225
Deposits payable	382,528	-	47,702
Due to other governments	510,680	-	-
Due to other funds	-	-	186
Advances from other funds	363,988	-	-
Total Liabilities	2,722,244	1,188,390	3,873,390
Fund Balances:			
Reserved:			
Reserved for encumbrances	315,791	5,443,070	581,513
Reserved for prepaid costs	84,810	-	-
Reserved for land held for resale	-	-	9,942,721
Reserved for loans receivable	54,457	-	301,805
Reserved for special donations	-	-	-
Unreserved:			
Unreserved, reported in nonmajor:			
Special revenue funds	-	-	-
Capital projects funds	-	-	-
Designated for capital projects	-	-	20,824,595
Designated for low and moderate housing	-	-	4,920,222
Designated for debt service	-	-	-
Designated for compensated absences	537,884	-	-
Designated for working capital	1,374,782	-	-
Designated for RBEG grant program	-	-	10,000
Designated for continuing appropriations	736,277	3,509,124	-
Undesignated	1,961,343	-	-
Total Fund Balances	5,065,344	8,952,194	36,580,856
Total Liabilities and Fund Balances	\$ 7,787,588	\$ 10,140,584	\$ 40,454,246

CITY OF BANNING

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	Debt Service Fund			Total Governmental Funds
	Redevelopment Agency	Other Governmental Funds		
Assets:				
Pooled cash and investments	\$ 5,022,558	\$ 5,213,626	\$ 25,987,970	
Receivables:				
Accounts	-	59,014	472,993	
Loans	-	1,182	3,366,669	
Interest	16,946	18,959	101,918	
Prepaid costs	-	-	84,810	
Due from other governments	46,057	363,076	1,262,338	
Due from other funds	-	-	2,936,635	
Land held for resale	-	-	9,942,721	
Restricted assets:				
Cash and investments with fiscal agents	3,391,684	-	28,359,466	
Total Assets	\$ 8,477,245	\$ 5,655,857	\$ 72,515,520	
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 1,052	\$ 115,614	\$ 2,750,933	
Accrued liabilities	-	32,210	561,049	
Deferred revenues	-	32,999	3,348,833	
Deposits payable	-	101,711	531,941	
Due to other governments	-	-	510,680	
Due to other funds	2,936,635	55,000	2,991,821	
Advances from other funds	316,803	-	680,791	
Total Liabilities	3,254,490	337,534	11,376,048	
Fund Balances:				
Reserved:				
Reserved for encumbrances	-	1,322,778	7,663,152	
Reserved for prepaid costs	-	-	84,810	
Reserved for land held for resale	-	-	9,942,721	
Reserved for loans receivable	-	1,182	357,444	
Reserved for special donations	-	17,413	17,413	
Unreserved:				
Unreserved, reported in nonmajor:				
Special revenue funds	-	3,010,846	3,010,846	
Capital projects funds	-	966,104	966,104	
Designated for capital projects	-	-	20,824,595	
Designated for low and moderate housing	-	-	4,920,222	
Designated for debt service	5,222,755	-	5,222,755	
Designated for compensated absences	-	-	537,884	
Designated for working capital	-	-	1,374,782	
Designated for RBEG grant program	-	-	10,000	
Designated for continuing appropriations	-	-	4,245,401	
Undesignated	-	-	1,961,343	
Total Fund Balances	5,222,755	5,318,323	61,139,472	
Total Liabilities and Fund Balances	\$ 8,477,245	\$ 5,655,857	\$ 72,515,520	

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CITY OF BANNING**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009**

Fund balances of governmental funds	\$ 61,139,472
Capital assets net of depreciation have not been included as financial resources in governmental fund activity.	99,931,486
Debt issuance cost is an expenditure in the governmental funds, but it is a deferred charge in the Statement of Net Assets.	1,352,243
Long-term debt and compensated absences that have not been included in the governmental fund activity:	
Long-term liabilities	(46,050,226)
Compensated absences	(1,207,032)
Accrued interest payable for the current portion of interest due on long-term liabilities has not been reported in the governmental funds.	(796,361)
Revenues reported as deferred revenue in the governmental funds and recognized in the Statement of Activities. These are included in the intergovernmental revenues in the governmental fund activity.	3,348,833
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>2,629,236</u>
Net assets of governmental activities	<u>\$ 120,347,651</u>

CITY OF BANNING

**STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2009**

	Capital Projects Funds		
	General	Capital Improvement	Redevelopment Agency
Revenues:			
Taxes	\$ 8,518,628	\$ -	\$ 1,216,360
Licenses and permits	150,478	-	-
Intergovernmental	1,635,479	-	-
Charges for services	2,923,440	-	-
Use of money and property	235,214	428,737	311,904
Fines and forfeitures	318,905	-	-
Miscellaneous	616,787	3,986	27,343
Total Revenues	14,398,931	432,723	1,555,607
Expenditures:			
Current:			
General government	3,173,523	-	2,266,808
Public safety	10,459,391	109,718	-
Parks and recreation	1,056,200	-	-
Public works	1,866,179	-	-
Capital outlay	210,944	7,277,961	3,343,684
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total Expenditures	16,766,237	7,387,679	5,610,492
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,367,306)	(6,954,956)	(4,054,885)
Other Financing Sources (Uses):			
Transfers in	510,000	-	3,949,212
Transfers out	(448,817)	-	(193,160)
Other debts issued	-	-	200,000
Total Other Financing Sources (Uses)	61,183	-	3,956,052
Net Change in Fund Balances	(2,306,123)	(6,954,956)	(98,833)
Fund Balances, Beginning of Year, as previously reported	7,842,225	15,907,150	29,708,407
Restatements	(470,758)	-	6,971,282
Fund Balances, Beginning of Year, as restated	7,371,467	15,907,150	36,679,689
Fund Balances, End of Year	\$ 5,065,344	\$ 8,952,194	\$ 36,580,856

CITY OF BANNING

**STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2009**

	Debt Service Fund		
	Redevelopment Agency	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 3,423,384	\$ 889,146	\$ 14,047,518
Licenses and permits	-	-	150,478
Intergovernmental	-	2,561,485	4,196,964
Charges for services	-	381	2,923,821
Use of money and property	653,896	112,058	1,741,809
Fines and forfeitures	-	-	318,905
Miscellaneous	-	65,977	714,093
Total Revenues	4,077,280	3,629,047	24,093,588
Expenditures:			
Current:			
General government	94,598	-	5,534,929
Public safety	-	402,770	10,971,879
Parks and recreation	-	109,720	1,165,920
Public works	-	1,087,299	2,953,478
Capital outlay	-	1,253,205	12,085,794
Debt service:			
Principal retirement	669,939	-	669,939
Interest and fiscal charges	2,097,343	-	2,097,343
Total Expenditures	2,861,880	2,852,994	35,479,282
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,215,400	776,053	(11,385,694)
Other Financing Sources (Uses):			
Transfers in	193,160	974,990	5,627,362
Transfers out	(3,556,499)	(899,454)	(5,097,930)
Other debts issued	-	-	200,000
Total Other Financing Sources (Uses)	(3,363,339)	75,536	729,432
Net Change in Fund Balances	(2,147,939)	851,589	(10,656,262)
Fund Balances, Beginning of Year, as previously reported	7,370,694	4,467,163	65,295,639
Restatements	-	(429)	6,500,095
Fund Balances, Beginning of Year, as restated	7,370,694	4,466,734	71,795,734
Fund Balances, End of Year	\$ 5,222,755	\$ 5,318,323	\$ 61,139,472

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CITY OF BANNING**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2009**

Net change in fund balances - total governmental funds	\$ (10,656,262)
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.	6,038,997
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	437,925
Debt issuance costs are expenditures in governmental funds, but these costs are capitalized on the Statement of Net Assets.	(61,261)
Accrued interest for long-term liabilities. This is the net change in accrued interest for the current period.	(2,584)
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.	128,552
Revenues reported as deferred revenue in the governmental funds and recognized in the Statement of Activities. These are included in the intergovernmental revenues in the governmental fund activity.	2,837,986
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.	478,717
Change in net assets of governmental activities	\$ (797,930)

CITY OF BANNING

BUDGETARY COMPARISON STATEMENT
GENERAL FUND
YEAR ENDED JUNE 30, 2009

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Budgetary Fund Balance, July 1, as restated	\$ 7,371,467	\$ 7,371,467	\$ 7,371,467	\$ -
Resources (Inflows):				
Taxes:				
Sales and use	3,027,000	2,407,000	2,253,296	(153,704)
Property	4,963,425	5,096,755	4,892,376	(204,379)
Franchise	715,376	755,376	816,603	61,227
Transient occupancy	360,000	278,000	223,373	(54,627)
Other	330,918	334,918	332,980	(1,938)
Subtotal	9,396,719	8,872,049	8,518,628	(353,421)
Licenses and permits:				
Building permits	125,000	70,000	73,511	3,511
Other permits	82,161	70,581	76,967	6,386
Subtotal	207,161	140,581	150,478	9,897
Intergovernmental:				
State motor vehicle in-lieu fees	150,000	75,000	86,304	11,304
Other intergovernmental revenues	73,895	1,774,976	1,549,175	(225,801)
Subtotal	223,895	1,849,976	1,635,479	(214,497)
Charges for services:				
Engineering, police, fire and other fees	661,512	420,090	475,948	55,858
Recreation fees	89,150	89,669	79,992	(9,677)
Interfund charges	2,367,500	2,367,500	2,367,500	-
Subtotal	3,118,162	2,877,259	2,923,440	46,181
Use of money and property:				
Interest and rents	444,950	389,954	235,214	(154,740)
Subtotal	444,950	389,954	235,214	(154,740)
Fines and forfeitures				
Parking fines	10,800	12,000	13,980	1,980
Court fines and other fines	328,000	323,800	304,925	(18,875)
Subtotal	338,800	335,800	318,905	(16,895)
Miscellaneous	208,380	560,824	616,787	55,963
Transfers in	510,000	530,000	510,000	(20,000)
Amounts Available for Appropriation	21,819,534	22,927,910	22,280,398	(647,512)

CITY OF BANNING

BUDGETARY COMPARISON STATEMENT
GENERAL FUND
YEAR ENDED JUNE 30, 2009

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Charges to Appropriation (Outflow):				
General government				
City council	197,464	194,906	192,011	2,895
City manager	264,377	388,933	291,542	97,391
Personnel	236,395	203,739	179,975	23,764
City clerk	158,540	159,823	164,140	(4,317)
Elections	35,200	29,030	27,384	1,646
City attorney	221,000	820,581	733,145	87,436
Finance	350,164	343,143	278,288	64,855
Community enhancement	82,630	83,933	94,253	(10,320)
Central services	1,230,023	1,230,023	1,212,785	17,238
Subtotal	2,775,793	3,454,111	3,173,523	280,588
Public safety				
Police	8,217,768	8,207,465	7,507,001	700,464
Animal control	242,000	362,302	256,661	105,641
Fire	3,477,804	3,377,537	2,695,729	681,808
Subtotal	11,937,572	11,947,304	10,459,391	1,487,913
Parks and recreation				
Parks	395,821	410,739	355,690	55,049
Recreation	650,701	739,984	700,510	39,474
Subtotal	1,046,522	1,150,723	1,056,200	94,523
Public works				
Building safety	657,005	702,723	615,024	87,699
Planning	441,972	660,765	465,990	194,775
Engineering	699,518	730,713	593,713	137,000
Building maintenance	247,014	247,653	191,452	56,201
Subtotal	2,045,509	2,341,854	1,866,179	475,675
Capital outlay	-	528,563	210,944	317,619
Transfers out	490,273	449,567	448,817	750
Total Charges to Appropriations	18,295,669	19,872,122	17,215,054	2,657,068
Budgetary Fund Balance, June 30	\$ 3,523,865	\$ 3,055,788	\$ 5,065,344	\$ 2,009,556

CITY OF BANNING

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2009

	Business-Type Activities - Enterprise Funds			
	Banning Utility			
	Banning Utility Authority Water	Electric Utility	Authority Wastewater	
Assets:				
Current:				
Cash and investments	\$ 8,873,522	\$ 24,498,177	\$ 13,524,310	
Receivables:				
Accounts	1,112,436	3,640,756	373,995	
Loans	2,423	4,132	669	
Interest	32,252	92,499	45,443	
Due from other governments	1,388,600	-	-	
Due from other funds	-	-	55,186	
Inventories	385,448	1,623,548	-	
Deposits with other agencies	-	1,270,689	-	
Restricted:				
Cash and investments	-	1,008,740	-	
Cash with fiscal agent	11,662,477	23,927,999	3,808,643	
Total Current Assets	23,457,158	56,066,540	17,808,246	
Noncurrent:				
Unamortized debt issuance costs	832,163	772,687	264,892	
Advances to other funds	-	680,791	-	
Capital assets - net of accumulated depreciation	46,123,879	39,808,369	17,288,504	
Total Noncurrent Assets	46,956,042	41,261,847	17,553,396	
Total Assets	\$ 70,413,200	\$ 97,328,387	\$ 35,361,642	
Liabilities and Net Assets:				
Liabilities:				
Current:				
Accounts payable	\$ 2,205,074	\$ 1,242,735	\$ 148,239	
Accrued liabilities	63,317	129,861	25,660	
Accrued interest	274,235	183,716	99,776	
Unearned revenues	-	-	-	
Deposits payable	115,018	299,532	65,157	
Compensated absences	68,153	8,178	21,346	
Bonds, notes, and loans payable	665,000	755,000	473,624	
Total Current Liabilities	3,390,797	2,619,022	833,802	
Noncurrent:				
Compensated absences	429	213,115	22,066	
Claims and judgments	-	-	-	
Bonds, notes, and loans payable	33,816,220	44,858,069	8,599,072	
Total Noncurrent Liabilities	33,816,649	45,071,184	8,621,138	
Total Liabilities	37,207,446	47,690,206	9,454,940	
Net Assets:				
Invested in capital assets, net of related debt	23,305,136	18,123,299	12,024,451	
Restricted for capital projects	9,018,763	20,911,490	3,808,643	
Restricted for debt service	2,643,714	3,016,509	-	
Unrestricted	(1,761,859)	7,586,883	10,073,608	
Total Net Assets	33,205,754	49,638,181	25,906,702	
Total Liabilities and Net Assets	\$ 70,413,200	\$ 97,328,387	\$ 35,361,642	

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 funds activities related to the enterprise funds

Current years' adjustments to reflect the consolidation of internal service activities related to enterprise funds

Net Assets per Statement of Net Assets

CITY OF BANNING

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2009

	Other Enterprise Funds	Totals	Governmental Activities- Internal Service Funds
Assets:			
Current:			
Cash and investments	\$ 673,816	\$ 47,569,825	\$ 3,512,435
Receivables:			
Accounts	459,066	5,586,253	39,316
Loans	2,275	9,499	1,205
Interest	2,542	172,736	6,616
Due from other governments	6,494	1,395,094	6,838
Due from other funds	-	55,186	-
Inventories	15,955	2,024,951	83,848
Deposits with other agencies	-	1,270,689	-
Restricted:			
Cash and investments	-	1,008,740	-
Cash with fiscal agent	-	39,399,119	-
Total Current Assets	1,160,148	98,492,092	3,650,258
Noncurrent:			
Unamortized debt issuance costs	-	1,869,742	-
Advances to other funds	-	680,791	-
Capital assets - net of accumulated depreciation	1,792,663	105,013,415	483,936
Total Noncurrent Assets	1,792,663	107,563,948	483,936
Total Assets	\$ 2,952,811	\$ 206,056,040	\$ 4,134,194
Liabilities and Net Assets:			
Liabilities:			
Current:			
Accounts payable	\$ 284,273	\$ 3,880,321	\$ 83,271
Accrued liabilities	42,709	261,547	69,197
Accrued interest	-	557,727	-
Unearned revenues	109,296	109,296	-
Deposits payable	95,314	575,021	928
Compensated absences	7,625	105,302	-
Bonds, notes, and loans payable	-	1,893,624	-
Total Current Liabilities	539,217	7,382,838	153,396
Noncurrent:			
Compensated absences	54,800	290,410	123,348
Claims and judgments	-	-	727,682
Bonds, notes, and loans payable	-	87,273,361	-
Total Noncurrent Liabilities	54,800	87,563,771	851,030
Total Liabilities	594,017	94,946,609	1,004,426
Net Assets:			
Invested in capital assets, net of related debt	1,792,663	55,245,549	483,936
Restricted for capital projects	-	33,738,896	-
Restricted for debt service	-	5,660,223	-
Unrestricted	566,131	16,464,763	2,645,832
Total Net Assets	2,358,794	111,109,431	3,129,768
Total Liabilities and Net Assets	\$ 2,952,811	\$ 206,056,040	\$ 4,134,194
		\$ 111,109,431	
		225,824	
		274,708	
		\$ 111,609,963	

CITY OF BANNING

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2009

	Business-Type Activities - Enterprise Funds		
	Banning Utility Authority Water	Electric Utility	Banning Utility Authority Wastewater
Operating Revenues:			
Sales and service charges	\$ 7,581,768	\$ 27,393,356	\$ 2,654,836
Connection fees	1,667	1,060	-
Total Operating Revenues	7,583,435	27,394,416	2,654,836
Operating Expenses:			
Salaries and benefits	1,574,219	2,880,469	564,389
Supplies and services	3,257,546	4,726,791	1,476,652
Repairs and maintenance	7,873	23,663	40,166
Street lighting costs	-	154,046	-
Power purchased	-	17,215,366	-
Insurance premiums	-	-	-
Depreciation expense	1,095,197	1,054,573	832,280
Total Operating Expenses	5,934,835	26,054,908	2,913,487
Operating Income (Loss)	1,648,600	1,339,508	(258,651)
Nonoperating Revenues (Expenses):			
Intergovernmental	1,388,600	-	-
Interest revenue	565,759	1,319,123	383,680
Interest expense	(1,633,746)	(2,242,218)	(361,240)
Miscellaneous	688,598	622,351	149,973
Amortization of bond costs	(44,758)	-	(46,118)
Total Nonoperating Revenues (Expenses)	964,453	(300,744)	126,295
Income (Loss) Before Transfers	2,613,053	1,038,764	(132,356)
Transfers in	-	-	-
Transfers out	(268,000)	(206,432)	-
Changes in Net Assets	2,345,053	832,332	(132,356)
Net Assets:			
Beginning of Year, as previously reported	30,933,976	48,806,001	26,039,058
Restatements	(73,275)	(152)	-
Beginning of Fiscal Year, as restated	30,860,701	48,805,849	26,039,058
End of Fiscal Year	\$ 33,205,754	\$ 49,638,181	\$ 25,906,702

Reconciliation of Changes in Net Assets to the Statement of Activities:

Changes in Net Assets, per the Statement of Revenues,

Adjustment to reflect the consolidation of current fiscal year

Changes in Net Assets of Business-Type Activities per Statement of Activities

CITY OF BANNING

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2009

	Other Enterprise Funds	Totals	Governmental Activities- Internal Service Funds
Operating Revenues:			
Sales and service charges	\$ 3,437,624	\$ 41,067,584	\$ 5,570,435
Connection fees	-	2,727	-
Total Operating Revenues	3,437,624	41,070,311	5,570,435
Operating Expenses:			
Salaries and benefits	815,194	5,834,271	1,702,004
Supplies and services	3,787,688	13,248,677	2,155,708
Repairs and maintenance	6,319	78,021	300,096
Street lighting costs	-	154,046	-
Power purchased	-	17,215,366	-
Insurance premiums	-	-	935,487
Depreciation expense	266,265	3,248,315	62,758
Total Operating Expenses	4,875,466	39,778,696	5,156,053
Operating Income (Loss)	(1,437,842)	1,291,615	414,382
Nonoperating Revenues (Expenses):			
Intergovernmental	1,268,163	2,656,763	27,636
Interest revenue	18,599	2,287,161	81,862
Interest expense	(703)	(4,237,907)	-
Miscellaneous	-	1,460,922	229,546
Amortization of bond costs	-	(90,876)	-
Total Nonoperating Revenues (Expenses)	1,286,059	2,076,063	339,044
Income (Loss) Before Transfers	(151,783)	3,367,678	753,426
Transfers in	-	-	-
Transfers out	(55,000)	(529,432)	-
Changes in Net Assets	(206,783)	2,838,246	753,426
Net Assets:			
Beginning of Year, as previously reported	2,565,577	108,344,612	2,376,342
Restatements	-	(73,427)	-
Beginning of Fiscal Year, as restated	2,565,577	108,271,185	2,376,342
End of Fiscal Year	\$ 2,358,794	\$ 111,109,431	\$ 3,129,768
		\$ 2,838,246	
		274,708	
		\$ 3,112,954	

CITY OF BANNING

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2009

	Business-Type Activities - Enterprise Funds		
	Banning Utility Authority Water	Electric Utility	Banning Utility Authority Wastewater
Cash Flows from Operating Activities:			
Cash received from customers and users	\$ 7,684,844	\$ 27,507,920	\$ 2,607,289
Cash received from interfund service provided	-	-	-
Cash paid to supplies for goods and services	(1,988,591)	(25,949,806)	(1,452,135)
Cash paid to employees for services	(1,626,738)	(2,970,825)	(568,433)
Cash paid for claims	-	-	-
Operating Activities	4,069,515	(1,412,711)	586,721
Cash Flows from Non-Capital Financing Activities:			
Cash transfers out	(268,000)	(206,432)	-
Due from other funds	-	-	384,154
Repayment of advances	-	-	56,245
Intergovernmental	-	37,975	-
Miscellaneous	688,598	622,351	149,973
Net Cash Provided (Used) by Non-Capital Financing Activities	420,598	453,894	590,372
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(6,971,732)	(7,762,118)	(103,359)
Principal paid on capital debt	(640,000)	(725,000)	(462,958)
Interest paid on capital debt	(1,662,995)	(2,236,613)	(372,739)
Advance from other funds	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(9,274,727)	(10,723,731)	(939,056)
Cash Flows from Investing Activities:			
Interest received	611,354	1,378,488	423,271
Net Cash Provided (Used) by Investing Activities	611,354	1,378,488	423,271
Net Increase (Decrease) in Cash and Cash Equivalents	(4,173,260)	(10,304,060)	661,308
Cash and Cash Equivalents at Beginning of Year	24,709,259	59,738,976	16,671,645
Cash and Cash Equivalents at End of Year	\$ 20,535,999	\$ 49,434,916	\$ 17,332,953
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 1,648,600	\$ 1,339,508	\$ (258,651)
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:			
Depreciation	1,095,197	1,054,573	832,280
(Increase) decrease in accounts receivable	101,409	113,504	(47,547)
(Increase) decrease in loans receivable	2,587	5,471	785
(Increase) decrease in inventories	8,196	89,014	-
(Increase) decrease in deposits with other agencies	-	93,894	-
Increase (decrease) in accounts payable	1,256,689	(4,003,975)	56,431
Increase (decrease) in accrued liabilities	(1,778)	(6,994)	3,787
Increase (decrease) in deposits payable	9,356	(14,344)	7,467
Increase (decrease) in unearned revenue	-	-	-
Increase (decrease) in claims and judgments	-	-	-
Increase (decrease) in compensated absences	(50,741)	(83,362)	(7,831)
Total Adjustments	2,420,915	(2,752,219)	845,372
Net Cash Provided (Used) by Operating Activities	\$ 4,069,515	\$ (1,412,711)	\$ 586,721
Non-Cash Investing, Capital, and Financing Activities:			
Amortization of bond costs	\$ (44,758)	\$ -	\$ (46,118)

CITY OF BANNING

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2009

	Other Enterprise Funds	Totals	Governmental Activities- Internal Service Funds
Cash Flows from Operating Activities:			
Cash received from customers and users	\$ 3,407,317	\$ 41,207,370	\$ -
Cash received from interfund service provided	-	-	5,601,045
Cash paid to supplies for goods and services	(3,939,429)	(33,329,961)	(2,420,999)
Cash paid to employees for services	(808,354)	(5,974,350)	(1,766,305)
Cash paid for claims	-	-	(1,143,853)
Operating Activities	(1,340,466)	1,903,059	269,888
Cash Flows from Non-Capital Financing Activities:			
Cash transfers out	(55,000)	(529,432)	-
Due from other funds	-	384,154	-
Repayment of advances	-	56,245	38,520
Intergovernmental	1,277,649	1,315,624	-
Miscellaneous	-	1,460,922	229,546
Net Cash Provided (Used) by Non-Capital Financing Activities	1,222,649	2,687,513	268,066
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(1,981)	(14,839,190)	(38,152)
Principal paid on capital debt	-	(1,827,958)	-
Interest paid on capital debt	(703)	(4,273,050)	-
Advance from other funds	(56,245)	(56,245)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(58,929)	(20,996,443)	(38,152)
Cash Flows from Investing Activities:			
Interest received	22,429	2,435,542	86,259
Net Cash Provided (Used) by Investing Activities	22,429	2,435,542	86,259
Net Increase (Decrease) in Cash and Cash Equivalents	(154,317)	(13,970,329)	586,061
Cash and Cash Equivalents at Beginning of Year	828,133	101,948,013	2,926,374
Cash and Cash Equivalents at End of Year	\$ 673,816	\$ 87,977,684	\$ 3,512,435
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ (1,437,842)	\$ 1,291,615	\$ 414,382
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:			
Depreciation	266,265	3,248,315	62,758
(Increase) decrease in accounts receivable	(30,307)	137,059	30,610
(Increase) decrease in loans receivable	(2,275)	6,568	3,911
(Increase) decrease in inventories	1,650	98,860	6,286
(Increase) decrease in deposits with other agencies	-	93,894	-
Increase (decrease) in accounts payable	(6,243)	(2,697,098)	24,608
Increase (decrease) in accrued liabilities	8,391	3,406	(10,835)
Increase (decrease) in deposits payable	4,925	7,404	-
Increase (decrease) in unearned revenue	(143,479)	(143,479)	-
Increase (decrease) in claims and judgments	-	-	(208,366)
Increase (decrease) in compensated absences	(1,551)	(143,485)	(53,466)
Total Adjustments	97,376	611,444	(144,494)
Net Cash Provided (Used) by Operating Activities	\$ (1,340,466)	\$ 1,903,059	\$ 269,888
Non-Cash Investing, Capital, and Financing Activities			
Amortization of bond costs	\$ -	\$ (90,876)	\$ -

CITY OF BANNING**STATEMENT OF FIDUCIARY NET ASSETS**
FIDUCIARY FUNDS
JUNE 30, 2009

	Agency Funds
Assets:	
Cash and investments	\$ 546,319
Receivables:	
Accrued interest	1,510
Due from other governments	58,818
Restricted assets:	
Cash and investments with fiscal agents	<u>482,582</u>
Total Assets	<u>\$ 1,089,229</u>
Liabilities:	
Accounts payable	\$ 1,877
Deposits payable	43,474
Due to bondholders	<u>1,043,878</u>
Total Liabilities	<u>\$ 1,089,229</u>

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009

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 activities) 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, except for gas tax which is 120 days. 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 liabilities 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. 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.

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.

City of Banning
Notes to Financial Statements (Continued)

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

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

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.

City of Banning
Notes to Financial Statements (Continued)

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

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 240 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.

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.

City of Banning
Notes to Financial Statements (Continued)

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

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.

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 (\$46,050,226) difference is as follows:

City of Banning
Notes to Financial Statements (Continued)

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

Long-term debt:	
Certificates of participation payable	\$ (4,485,000)
Tax allocation bonds payable	(42,200,000)
Unamortized original issue discount	819,835
Notes payable	<u>(185,061)</u>
Net adjustment to reduce fund balance of total governmental funds to arrive at net assets of governmental activities	<u>\$ (46,050,226)</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 \$6,038,997 difference is as follows:

Capital outlay	\$ 10,847,072
Less: depreciation expense	<u>(4,808,075)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 6,038,997</u>

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 \$437,925 difference are as follows:

Debt issued or incurred:	
Loan payable	\$ (200,000)
Principal repayments:	
Certificates of participation	265,000
Tax allocation bonds	390,000
Loan payable	14,939
Amortization of bond discount	<u>(32,014)</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>\$ 437,925</u>

City of Banning
Notes to Financial Statements (Continued)

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).

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.

c. Excess of expenditures over appropriations are as follows:

Expenditures for the year ended June 30, 2009, exceeded the appropriations of the General Fund are follows:

	Budget	Actual	Variance
General Fund:			
General Government			
City clerk	\$ 159,823	\$ 164,140	\$ (4,317)
Community enhancement	83,933	94,253	(10,320)

d. The following fund contained a deficit fund balance:

Fund	Amount
Community Development Block Grant	\$ (14,012)

City of Banning
Notes to Financial Statements (Continued)

III. DETAILED NOTES ON ALL FUNDS

Note 3: Cash and Investments

As of June 30, 2009, cash and investments were reported in the accompanying financial statements as follows:

Governmental activities	\$ 57,859,871
Business-type activities	87,977,684
Fiduciary funds	<u>1,028,901</u>
Total Cash and Investments	<u>\$ 146,866,456</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, 2009, the carrying amount of the City's deposits was \$1,121,915, and the bank balance was \$1,637,564. The \$515,649 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 \$250,000 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.

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

City of Banning
Notes to Financial Statements (Continued)

Note 3: Cash and Investments (Continued)

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, 2009, 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, 2009, 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, 2009, the City's investments in external investment pools are unrated.

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, 2009, 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, 2009, 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.

City of Banning
Notes to Financial Statements (Continued)

Note 3: Cash and Investments (Continued)

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, 2009, the City had the following investments and maturities:

Investment Type	Remaining Investment Maturity					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	\$ -	\$ -	\$ 23,184,431	\$ -	\$ -	\$ 23,184,431
Local Agency Investment Fund	51,679,378	-	-	-	-	51,679,378
Money Market	1,630,825	-	-	-	-	1,630,825
Cash with Fiscal Agents:						
Money Market	27,373,126	35,516,477	3,016,509	-	-	65,906,112
Federal Agency Securities	1,180,000	-	1,625,033	-	-	2,805,033
U.S Treasury Note	16,200	-	-	-	-	16,200
Repurchase agreement	-	-	-	-	522,562	522,562
Total	\$ 81,879,529	\$ 35,516,477	\$ 27,825,973	\$ -	\$ 522,562	\$ 145,744,541

Note 4: Interfund Receivables, Payables and Transfers

The composition of interfund balances as of June 30, 2009, is as follows:

Due To/From Other Funds

Funds	Due To Other Funds			Total
	RDA Capital Project Fund	RDA Debt Service Fund	Nonmajor Governmental Funds	
Due From Other Funds:				
General Fund	\$ -	\$ 2,936,635	\$ -	\$ 2,936,635
BUA Wastewater Fund	186	-	55,000	55,186
Total	\$ 186	\$ 2,936,635	\$ 55,000	\$ 2,991,821

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
	Electric Utility
Advances from Other Funds:	
General Fund	\$ 363,988
RDA Debt Service	316,803
Total	\$ 680,791

City of Banning
Notes to Financial Statements (Continued)

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

During the current and previous fiscal years, the Electric Utility Fund has made loans to the RDA Debt Service Fund and General Fund. These loans bear interest at rates up to 12% per annum depending upon when the loan was initiated. The Electric Utility Fund 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, 2009, loans to and accrued unpaid interest owed on those loans was \$680,791.

Interfund Transfers

Funds	Transfers In:					Totals
	General Fund	RDA Capital Projects	RDA Debt Service	Nonmajor Governmental Funds		
Transfers Out:						
General Fund	\$ -	\$ 34,418	\$ -	\$ 414,399	\$ 448,817	
RDA Capital Projects	-	-	193,160	-	-	193,160
RDA Debt Service	-	3,556,499	-	-	-	3,556,499
Nonmajor Governmental Funds	260,000	151,863	-	487,591	-	899,454
Water Utility	250,000	-	-	18,000	-	268,000
Electric Utility	-	206,432	-	-	-	206,432
Nonmajor Proprietary Funds	-	-	-	55,000	-	55,000
Totals	\$ 510,000	\$ 3,949,212	\$ 193,160	\$ 974,990	\$ 5,627,362	

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 \$510,000.

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 Capital Projects RDA projects. Amounts were transferred from the General Fund, Nonmajor Governmental Funds, and the Electric Fund to the Capital Projects RDA fund towards the costs of the parking lot improvements project.

Transfers out of the General, Water, Nonmajor Governmental Funds, the Water Utility Fund, and Nonmajor Proprietary 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, 2009, is as follows:

	Beginning Balance	Adjustments*	Adjusted Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:							
Capital assets, not being depreciated:							
Land	\$ 6,376,370	\$ (3,282,770)	\$ 3,093,600	\$ -	\$ -	\$ -	\$ 3,093,600
Construction-in-progress	5,928,000	(3,685,827)	2,242,173	9,626,533	13,877	(956,085)	10,898,744
Total Capital Assets, Not Being Depreciated	12,304,370	(6,968,597)	5,335,773	9,626,533	13,877	(956,085)	13,992,344
Capital assets, being depreciated:							
Buildings and structures	11,422,289	-	11,422,289	307,889	-	385,257	12,115,435
Land improvements	6,862,827	-	6,862,827	99,411	-	42,534	7,004,772
Machinery and equipment	3,588,221	-	3,588,221	105,592	-	-	3,693,813
Vehicles	4,281,073	-	4,281,073	1,295	-	25,348	4,307,716
Infrastructure	109,792,846	-	109,792,846	758,381	-	502,946	111,054,173
Total Capital Assets, Being Depreciated	135,947,256	-	135,947,256	1,272,568	-	956,085	138,175,909
Less accumulated depreciation:							
Buildings and structures	8,115,757	-	8,115,757	438,960	-	-	8,554,717
Land improvements	1,607,423	-	1,607,423	327,523	-	-	1,934,946
Machinery and equipment	3,043,780	-	3,043,780	241,090	-	-	3,284,870
Vehicles	2,748,283	-	2,748,283	445,374	-	-	3,193,657
Infrastructure	31,366,755	-	31,366,755	3,417,886	-	-	34,784,641
Total Accumulated Depreciation	46,881,998	-	46,881,998	4,870,833	-	-	51,752,831
Total Capital Assets, Being Depreciated, Net	89,065,258	-	89,065,258	(3,598,265)	-	956,085	86,423,078
Governmental Activities							
Capital Assets, Net	\$ 101,369,628	\$ (6,968,597)	\$ 94,401,031	\$ 6,028,268	\$ 13,877	\$ -	\$ 100,415,422

* Adjustments made to remove land held for resale from capital assets.

Depreciation expense was charged to governmental functions as follows:

Governmental Activities:		
General government		\$ 147,361
Public safety		761,061
Public works		3,560,691
Parks and recreation		338,962
Internal service funds		62,758
Total Depreciation Expense - Governmental Activities		\$ 4,870,833

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	25,293,151	-	25,293,151	6,434,748	-	(22,737,241)	8,990,658
Total Capital Assets, Not Being Depreciated	26,477,380	-	26,477,380	6,434,748	-	(22,737,241)	10,174,887
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	29,106	-	29,106	-	-	-	29,106
Utility plant	112,723,217	-	112,723,217	8,404,442	-	22,737,241	143,864,900
Total Capital Assets, Being Depreciated	115,385,384	-	115,385,384	8,404,442	-	22,737,241	146,527,067
Less accumulated depreciation:							
Airport master plan	38,875	-	38,875	-	-	-	38,875
Buildings and structures	358,273	-	358,273	7,484	-	-	365,757
Land improvements	945,516	-	945,516	99,274	-	-	1,044,790
Machinery and equipment	11,051	-	11,051	4,943	-	-	15,994
Utility plant	47,086,509	-	47,086,509	3,136,614	-	-	50,223,123
Total Accumulated Depreciation	48,440,224	-	48,440,224	3,248,315	-	-	51,688,539
Total Capital Assets, Being Depreciated, Net	66,945,160	-	66,945,160	5,156,127	-	22,737,241	94,838,528
Business-type Activities							
Capital Assets, Net	\$ 93,422,540	\$ -	\$ 93,422,540	\$ 11,590,875	\$ -	\$ -	\$ 105,013,415

Depreciation expense was charged to business-type activities as follows:

Business-Type Activities:	
Airport	\$ 107,766
Transit	154,563
Banning Utility Authority Water	1,095,197
Electric Utility	1,054,574
Banning Utility Authority Wastewater	832,280
Refuse Utility	3,935
Total Depreciation Expense - Business-Type Activities	\$ 3,248,315

City of Banning
Notes to Financial Statements (Continued)

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:

	<u>Gross Receivable</u>	<u>Allowance For Doubtful Accounts</u>	<u>Net Receivable</u>
Water	\$ 1,048,882	\$ (63,554)	\$ 1,112,436
Electric	3,438,333	(202,423)	3,640,756
Wastewater	351,136	(22,859)	373,995
Nonmajor Proprietary Funds	<u>435,165</u>	<u>(23,901)</u>	<u>459,066</u>
	<u><u>\$ 5,273,516</u></u>	<u><u>\$ (312,737)</u></u>	<u><u>\$ 5,586,253</u></u>

Note 7: Loans Receivable

The City has entered into various loan agreements relating to owners participation agreements, façade improvement agreements, the first time home buyer loan program, the rehabilitation loan program and employee loan program. The details of these loans are as follows:

Description	Balance at June 30, 2009
On March 27, 2007, the Agency entered into an owners participation agreement for the renovation of the Oddfellows Building at the southwest corner of San Gorgonio Avenue and Ramsey Street for an amount not to exceed \$727,000.	\$ 685,000
In May 2009, the Agency approved the second amendment to the owners participation agreement noted above for the purpose of providing additional funding for the renovation of the Oddfellows Building. The amendment includes a promissory note for an amount not to exceed \$400,000 and bears interest at 4% per annum.	301,805
On October 17, 2007, the Agency entered into a Façade Improvement Agreement between the City of Banning Community Redevelopment Agency and Ben Stephenson for the property located at 89 N. San Gorgonio for an amount not to exceed \$200,000.	200,000
On March 27, 2007, the Agency entered into an owners participation agreement with MG Banning, LLC for the development of the Banning Business Center for an amount not to exceed \$500,000.	499,859
On November 5, 2007, the Agency entered into a Façade Improvement Agreement between the City of Banning Community Redevelopment Agency and Gilbert James Manzo and Jacqueline Myrle Manzo for the property located at 1901 W. Ramsey Street, Bldg. A and B (Ramsey Burger) for an amount not to exceed \$100,000.	100,000
On November 29, 2007, the Agency entered into a Façade Improvement Agreement between the City of Banning Community Redevelopment Agency and Mohamed and Fatima Karawia for the property located at 182 W. Ramsey Street for an amount not to exceed \$204,591.	204,591

City of Banning
Notes to Financial Statements (Continued)

Note 7: Loans Receivable (Continued)

Description	Balance at June 30, 2009
On November 29, 2007, the Agency entered into a Façade Improvement Agreement between the City of Banning Community Redevelopment Agency and Tawi Investments, LLC for the property located at 2271 W. Ramsey Street (Fisherman's Grill) for an amount not to exceed \$100,000.	100,000
On February 28, 2008, the Agency entered into a Façade Improvement Agreement between the City of Banning Community Redevelopment Agency and Coplin House, LLC for the property located at 12 South San Gorgonio for an amount not to exceed \$200,000.	200,000
On April 22, 2008, the Agency entered into an owners participation agreement with Bottom Line Property Management, LLC for the renovation of the Hendon building located at 68 North First Street for an amount not to exceed \$450,000.	450,000
On April 7, 2008, the Agency entered into a Façade Improvement Agreement between the City of Banning Community Redevelopment Agency and DeMario Jackson and Angelica Lyons for the property located at 124-144 West Ramsey Street for an amount not to exceed \$100,000.	100,000
Various first time home buyer downpayment assistance loans	300,000
Various rehabilitation loans	169,775
Various employee loans	<u>66,343</u>
Total loans receivable at June 30, 2009	<u><u>\$ 3,377,373</u></u>

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, 2009, amounted to \$1,270,689.

City of Banning
Notes to Financial Statements (Continued)

Note 9: Long-Term Debt

The following is a summary of the changes in long-term debt for the fiscal year ended June 30, 2009:

	Balance at July 1, 2008	Adjustments*	Incurred	Retired	Balance at June 30, 2009	Due Within One Year
Governmental Activities:						
1997 Refunding COPs	\$ 4,750,000	\$ -	\$ -	\$ 265,000	\$ 4,485,000	\$ 275,000
2003 Tax Allocation Bonds	12,625,000	-	-	390,000	12,235,000	400,000
2007 Tax Allocation Bonds	29,965,000	-	-	-	29,965,000	245,000
Loan from Electric Fund	304,670	(304,670)	-	-	-	-
Loan Payable	-	-	200,000	14,939	185,061	8,502
Compensated Absences						
Governmental Funds	1,335,584	-	413,548	542,100	1,207,032	488,002
Internal Service Funds	176,814	-	52,449	105,915	123,348	68,032
Claims & Judgment	936,048	-	408,906	617,272	727,682	181,921
Total	\$ 50,093,116	\$ (304,670)	\$ 1,074,903	\$ 1,935,226	48,928,123	\$ 1,666,457
Less:						
Unamortized original issue discount						(819,835)
Net Governmental Activities						\$ 48,108,288
Business-Type Activities:						
Loans Payable	\$ 3,320,464	\$ -	\$ -	\$ 217,958	\$ 3,102,506	\$ 223,624
2005 Water Revenue Bond	34,185,000	-	-	640,000	33,545,000	665,000
2005 Wastewater Revenue Bond	6,595,000	-	-	245,000	6,350,000	250,000
Electric Revenue Bond	45,790,000	-	-	725,000	45,065,000	755,000
Compensated Absences	539,197	-	-	143,485	395,712	105,302
Total	\$ 90,429,661	\$ -	\$ -	\$ 1,971,443	88,458,218	\$ 1,998,926
Less:						
Unamortized original issue premium						1,887,268
Unamortized original issue discount						(111,735)
Unamortized loss on defeasance						(671,054)
Net Business-Type Activities						\$ 89,562,697

* Adjustments were made to remove the loan from the Electric Utility Fund and record it in the General Fund.

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.

City of Banning
Notes to Financial Statements (Continued)

Note 9: Long-Term Debt (Continued)

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, 2009 was \$4,485,000.

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

Year Ending June 30,	Principal	Interest	Total
2010	\$ 275,000	\$ 237,083	\$ 512,083
2011	290,000	222,530	512,530
2012	305,000	206,908	511,908
2013	320,000	190,026	510,026
2014	340,000	171,876	511,876
2015-2019	1,995,000	550,687	2,545,687
2020-2024	960,000	53,625	1,013,625
Total	<u>\$ 4,485,000</u>	<u>\$ 1,632,735</u>	<u>\$ 6,117,735</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%.

City of Banning
Notes to Financial Statements (Continued)

Note 9: Long-Term Debt (Continued)

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, 2009, totaled \$12,235,000.

Year Ending June 30,	Principal	Interest	Total
2010	\$ 400,000	\$ 564,439	\$ 964,439
2011	410,000	551,520	961,520
2012	425,000	536,898	961,898
2013	440,000	518,195	958,195
2014	460,000	497,995	957,995
2015-2019	2,615,000	2,173,728	4,788,728
2020-2024	3,290,000	1,476,250	4,766,250
2025-2029	4,195,000	545,125	4,740,125
Total	<u>\$ 12,235,000</u>	<u>\$ 6,864,150</u>	<u>\$ 19,099,150</u>

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, 2009, totaled \$29,965,000.

City of Banning
Notes to Financial Statements (Continued)

Note 9: Long-Term Debt (Continued)

Year Ending June 30,	Principal	Interest	Total
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	570,000	1,189,016	1,759,016
2014	695,000	1,163,716	1,858,716
2015-2019	3,880,000	5,411,213	9,291,213
2020-2024	4,695,000	4,582,616	9,277,616
2025-2029	5,745,000	3,508,122	9,253,122
2030-2034	7,750,000	1,978,359	9,728,359
2035-2039	5,515,000	464,734	5,979,734
Total	\$ 29,965,000	\$ 21,973,587	\$ 51,938,587

d. Loan Payable – Glick

On August 27, 2008, the Agency entered into a promissory note. The note amount was \$200,000 and is subject to an interest rate of 6.5% per annum. The note is payable in fifteen annual installments of \$20,531. The principal amount of this note represents the agreed-upon amount for the purchase of real property. At June 30, 2009, the outstanding balance on the note payable is \$185,061.

Year Ending June 30,	Principal	Interest	Total
2010	\$ 8,502	\$ 12,029	\$ 20,531
2011	9,054	11,476	20,530
2012	9,643	10,888	20,531
2013	10,270	10,261	20,531
2014	10,937	9,593	20,530
2015-2019	66,321	36,333	102,654
2020-2024	70,334	11,789	82,123
Total	\$ 185,061	\$ 102,369	\$ 287,430

e. 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
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	740,000	1,551,338	2,291,338
2014	770,000	1,521,138	2,291,138
2015-2019	4,375,000	7,079,222	11,454,222
2020-2024	5,415,000	5,996,753	11,411,753
2025-2029	6,940,000	4,423,650	11,363,650
2030-2034	8,960,000	2,347,275	11,307,275
2035-2039	4,280,000	227,588	4,507,588
Total	\$ 33,545,000	\$ 27,969,615	\$ 61,514,615

f. 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%. The outstanding principal balance at June 30, 2009, amounted to \$6,350,000.

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

City of Banning
Notes to Financial Statements (Continued)

Note 9: Long-Term Debt (Continued)

Year Ending June 30,	Principal	Interest	Total
2010	\$ 250,000	\$ 271,741	\$ 521,741
2011	265,000	262,854	527,854
2012	135,000	255,753	390,753
2013	140,000	250,664	390,664
2014	145,000	245,248	390,248
2015-2019	830,000	1,131,019	1,961,019
2020-2024	1,010,000	939,788	1,949,788
2025-2029	1,260,000	685,756	1,945,756
2030-2034	1,580,000	359,131	1,939,131
2035-2039	735,000	34,341	769,341
Total	\$ 6,350,000	\$ 4,436,295	\$ 10,786,295

g. 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, 2009, was \$3,102,506. The loan is recorded in the BUA Wastewater Utility Enterprise Fund.

Year Ending June 30,	Principal	Interest	Total
2010	\$ 223,624	\$ 80,665	\$ 304,289
2011	229,438	74,851	304,289
2012	235,403	68,886	304,289
2013	241,524	62,765	304,289
2014	247,802	56,485	304,287
2015-2019	1,339,076	182,368	1,521,444
2020-2024	585,639	22,938	608,577
Total	\$ 3,102,506	\$ 548,958	\$ 3,651,464

h. Electric Revenue Bond

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. The bonds consist of serial bonds maturing in the years 2009 through 2029 and are payable June 1 in annual installments from \$725,000 through \$1,815,000. The bonds bear interest at 4.0% to 5.0%. The bonds also consist of term bonds maturing in the years 2025 through 2038 and are payable June 1 ranging in amounts between \$3,240,000 through \$15,025,000 and bearing interest between 4.5% to 5.0%. The outstanding balance at June 30, 2009, amounted to \$45,065,000.

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
2010	\$ 755,000	\$ 2,220,788	\$ 2,975,788
2011	785,000	2,190,588	2,975,588
2012	815,000	2,159,188	2,974,188
2013	850,000	2,126,588	2,976,588
2014	880,000	2,092,588	2,972,588
2015-2019	5,120,000	9,749,988	14,869,988
2020-2024	6,530,000	8,344,000	14,874,000
2025-2029	8,295,000	6,540,750	14,835,750
2030-2034	10,540,000	4,256,750	14,796,750
2035-2039	10,495,000	1,344,000	11,839,000
Total	<u>\$ 45,065,000</u>	<u>\$ 41,025,228</u>	<u>\$ 86,090,228</u>

i. Debt Service Requirements

As previously discussed, the Agency has pledged, as security for tax allocation bonds it has issued, either directly or through the Financing Authority, a portion of the tax increment revenue that it receives. These bonds were to provide financing for various capital projects and to defease previously issued bonds. The City has committed to appropriate each year, from these resources amounts sufficient to cover the principal and interest requirements on the debt. Total principal and interest remaining on the debt is \$71,037,737 with annual debt service requirements as indicated below. For the current year, the total tax increment revenue, net of pass through payments, recognized by the Agency was \$4,639,744 and the debt service obligation on the bonds was \$2,208,992.

Note 10: Compensated Absences

For governmental activities, accumulated vacation, sick leave benefits, holiday and compensatory time payable at June 30, 2009, was \$1,330,380, which includes \$123,348 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 \$395,712.

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 1997 Refunding Certificates of Participation issued in the amount of \$6,810,000.

City of Banning
Notes to Financial Statements (Continued)

Note 11: Capitalized Lease Obligation (Continued)

The Agency is treated as a component unit of the City. Therefore, the 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.

	<u>Amount of Issue</u>	<u>Outstanding June 30, 2009</u>
AD 91-1 1992	\$ 2,422,134	\$ 1,080,000
AD 2004-1	2,898,000	2,750,000

Note 13: Single Family Mortgage Revenue Bonds

The Redevelopment Agency has issued mortgage revenue bonds as follows:

	<u>Outstanding Balance</u>	<u>June 30, 2009</u>
Redevelopment Agency of the City of Banning Single Family Residential Mortgage Revenue Refunding Bonds		<u>\$ 275,000</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 \$250,000 during the fiscal year June 30, 2009.

City of Banning
Notes to Financial Statements (Continued)

Note 15: Prior Period Adjustments

Beginning fund balance has been restated as follows:

Major Governmental Funds:		
General Fund		
To adjust prior year expenditures for field services.	\$ (166,057)	
To adjust accounts payable balance.	(31)	
To record an advance in the general fund that was incorrectly recorded as long-term debt in the prior year.		(304,670)
Total General Fund		<u>(470,758)</u>
Redevelopment Agency		
To properly record land held for resale that was recorded as a capital asset in the prior year.		6,971,282
Nonmajor Governmental Funds:		
Gas Tax Fund		
To write off a receivable balance.		<u>(429)</u>
Total Governmental Funds		<u>\$ 6,500,095</u>
Major Enterprise Funds:		
Electric Utility		
To adjust accounts payable balance.	\$ (152)	
Banning Utility Authority Water		
To write-off a receivable balance.	(72,854)	
To adjust accounts payable balance.	<u>(421)</u>	
Total Banning Utility Authority Water		<u>(73,275)</u>
Total Proprietary Funds		<u>\$ (73,427)</u>
Beginning net assets has been restated as follows:		
Governmental Activities:		
Governmental funds restatements detailed above	\$ 6,500,095	
To remove advances between funds from long-term debt	304,670	
To remove land held for resale from capital assets	<u>(6,968,597)</u>	
Total Governmental Activities		<u>(163,832)</u>
Business-Type Activities:		
Enterprise funds restatement detailed above		<u>(73,427)</u>
Total Net Asset Restatements		<u>\$ (237,259)</u>

City of Banning
Notes to Financial Statements (Continued)

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.

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, 2009, was 13.220% 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, 2009, the City's annual pension cost (employer contribution) of \$1,129,141 for miscellaneous employees was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2006, 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>
6/30/2007	\$ 942,052	100%	\$ -
6/30/2008	1,072,803	100%	-
6/30/2009	1,129,141	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		Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a % of Covered Payroll	
	Normal Accrued Liability	Actuarial Value of Assets					
6/30/2006	\$ 33,927	\$ 28,522	\$ 5,405	84.1 %	\$ 6,768	79.9	%
6/30/2007	36,843	31,412	5,431	85.3 %	8,228	66.0	%
6/30/2008	39,786	34,269	5,517	86.1 %	8,136	67.8	%

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, 2009, was 29.030% 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, 2009, the City's annual pension cost (employer contribution) of \$953,866 for safety employees was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2006, 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
6/30/2007	\$ 860,836	100%	\$ -
6/30/2008	971,279	100%	-
6/30/2009	953,866	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 \$14,714 (7.5% of covered payroll). Total payroll for employees covered under this plan for the year was \$196,183.

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 \$50,000,000 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, 2009, the amount of these liabilities was \$727,682. The amount represents an estimate of \$397,035 for reported claims through June 30, 2009, and \$330,647 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, 2009, resulted from the following:

Year	Current Year			Liability at End
	Liability at Beginning	Claims and Changes in Estimates	Claim Payments	
2008	\$ 921,337	\$ 585,538	\$ 570,827	\$ 936,048
2009	936,048	408,906	617,272	727,682

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, 2009, was \$17,660,930.

Summary financial information (audited) of SCPPA for the fiscal year ended June 30, 2009, follows:

	<u>Amounts</u> <u>(in thousands)</u>
Total Assets	\$ 2,644,941
Total Liabilities	<u>2,787,386</u>
Total Net Assets	<u>\$ (142,445)</u>
Beginning Net Assets	\$ (140,609)
Total Revenues (including investment)	482,393
Total Expenses (including debt and loss on refunding)	(484,040)
Net Contributions by Participants	<u>(189)</u>
Ending Net Assets	<u>\$ (142,445)</u>

Separate audited financial statements for SCPPA are available from SCPPA.

Note 21: Subsequent Events

SERAf Tax Increment Revenue Shift for fiscal year 2009-2010 and 2010-2011

On July 23, 2009, the California Legislature passed SB 26, requiring a shift in tax increment revenues during fiscal years 2009-2010 and 2010-2011 to be deposited into the county "Supplemental" Educational Revenue Augmentation Fund (SERAf) and which is to be distributed to meet the State's Prop 98 obligations to schools. It is estimated that the Agency's share of the SERAf shift for fiscal year 2009-2010 and 2010-2011 will amount to approximately \$1,904,182 and \$392,038, respectively. In October 2009, the

City of Banning
Notes to Financial Statements (Continued)

Note 21: Subsequent Events (Continued)

California Redevelopment Association and its member agencies filed a legal action in an attempt to stop these amounts from having to be paid. As of the date of this report, no legal determination has been made by the courts on that action.

Local Government Revenues Withheld by the State of California

On July 24, 2009, the legislation approved the “borrowing” of up to 8 percent of the local property tax under Proposition 1A (2004). The City is a participant in the Proposition 1A Securitization Program offered by California Communities, a joint powers authority sponsored by the League of California Cities and California State Association of Counties. California Communities sold bonds on November 10, 2009, securitizing the future payments by the State will remit the proceeds of the bonds to the local governments who opt to participate in the program. The purchase price paid on the sale of the City's receivable is 100% or \$438,730. Participants of the Securitization program have no obligation on the bonds and no credit exposure to the State. Distribution of the proceeds to the participants is expected 50% on January 15, 2010, and 50% on May 3, 2010.

Land Purchase and Note Payable

The Agency purchased real property on July 29, 2009, for \$1,253,393 located at 2301 W. Ramsey Street (APN 538-162-016-6) to provide public benefit in the future with private development. In order to finance the purchase, the Agency entered into a promissory note for the amount of \$1,020,000. The note is subject to a 6% interest rate and payable monthly in amounts of \$7,308 for seven years with the remaining balance to be paid off at the end of year seven.

Land Sale

On August 2009, the Agency sold real property located at 311 E. Ramsey Street (APN 541-146-003) to the State of California to build the Mid-County Justice Center in the City's downtown area. The property was sold in the amount of \$1,009,380.

CITY OF BANNING

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2009

Special Revenue Funds					
	Gas Tax Street	Measure A	SB 300 Street	Article 3 Sidewalk	
Assets:					
Pooled cash and investments	\$ 527,102	\$ 1,054,621	\$ 144,625	\$ 12,539	
Receivables:					
Accounts	-	-	-	-	
Loans	1,182	-	-	-	
Interest	1,976	2,786	503	1,119	
Due from other governments	97,818	137,716	-	-	
Total Assets	\$ 628,078	\$ 1,195,123	\$ 145,128	\$ 13,658	
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$ 3,782	\$ -	\$ -	\$ -	
Accrued liabilities	20,550	-	-	-	
Deferred revenues	-	-	-	-	
Deposits payable	95,961	-	-	-	
Due to other funds	-	-	-	-	
Total Liabilities	120,293	-	-	-	
Fund Balances:					
Reserved:					
Reserved for encumbrances	-	5,020	-	-	
Reserved for loans receivable	1,182	-	-	-	
Reserved for special donations	-	-	-	-	
Unreserved:					
Designated for continuing appropriations	100,000	26,020	-	-	
Undesignated	406,603	1,164,083	145,128	13,658	
Total Fund Balances	507,785	1,195,123	145,128	13,658	
Total Liabilities and Fund Balances	\$ 628,078	\$ 1,195,123	\$ 145,128	\$ 13,658	

CITY OF BANNING

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2009

(Continued)

Special Revenue Funds						
	Community Development Block Grant	Landscape Maintenance District	AQMD Air Pollution Program	Asset Forfeiture		
Assets:						
Pooled cash and investments	\$ 19	\$ 136,908	\$ 261,781	\$ 2,441		
Receivables:						
Accounts	-	-	-	-		
Loans	-	-	-	-		
Interest	-	420	919	9		
Due from other governments	52,400	22,754	8,862	-		
Total Assets	\$ 52,419	\$ 160,082	\$ 271,562	\$ 2,450		
Liabilities and Fund Balances:						
Liabilities:						
Accounts payable	\$ 13,218	\$ 6,017	\$ 31,681	\$ -		
Accrued liabilities	-	-	-	-		
Deferred revenues	14,013	18,986	-	-		
Deposits payable	-	-	-	-		
Due to other funds	39,200	-	-	-		
Total Liabilities	66,431	25,003	31,681	-		
Fund Balances:						
Reserved:						
Reserved for encumbrances	284,810	3,163	-	-		
Reserved for loans receivable	-	-	-	-		
Reserved for special donations	-	-	-	-		
Unreserved:						
Designated for continuing appropriations	-	-	-	-		
Undesignated	(298,822)	131,916	239,881	2,450		
Total Fund Balances	(14,012)	135,079	239,881	2,450		
Total Liabilities and Fund Balances	\$ 52,419	\$ 160,082	\$ 271,562	\$ 2,450		

CITY OF BANNING

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2009

	Special Revenue Funds			
	San Gorgonio Gang Task Force	Supplemental Law Enforcement	Public Safety Sales Tax	State Park Bond Act
Assets:				
Pooled cash and investments	\$ 3,105	\$ 71,166	\$ 2,217	\$ 912
Receivables:				
Accounts	-	-	-	-
Loans	-	-	-	-
Interest	11	100	20	3
Due from other governments	-	29,456	14,070	-
Total Assets	\$ 3,116	\$ 100,722	\$ 16,307	\$ 915
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 1,062	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-
Deferred revenues	-	-	-	-
Deposits payable	-	-	-	-
Due to other funds	-	-	-	-
Total Liabilities	1,062	-	-	-
Fund Balances:				
Reserved:				
Reserved for encumbrances	-	-	-	-
Reserved for loans receivable	-	-	-	-
Reserved for special donations	-	-	-	-
Unreserved:				
Designated for continuing appropriations	-	100,692	-	-
Undesignated	2,054	30	16,307	915
Total Fund Balances	2,054	100,722	16,307	915
Total Liabilities and Fund Balances	\$ 3,116	\$ 100,722	\$ 16,307	\$ 915

CITY OF BANNING

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2009

(Continued)

Special Revenue Funds						
	Special Donations	Senior Center Activities	Animal Control Reserve	Police Volunteer		
Assets:						
Pooled cash and investments	\$ 23,288	\$ 70,255	\$ 4,785	\$ 3,726		
Receivables:						
Accounts	-	-	-	-		
Loans	-	-	-	-		
Interest	-	245	17	10		
Due from other governments	-	-	-	-		
Total Assets	\$ 23,288	\$ 70,500	\$ 4,802	\$ 3,736		
Liabilities and Fund Balances:						
Liabilities:						
Accounts payable	\$ 125	\$ 151	\$ -	\$ -		
Accrued liabilities	-	-	-	-		
Deferred revenues	-	-	-	-		
Deposits payable	5,750	-	-	-		
Due to other funds	-	-	-	-		
Total Liabilities	5,875	151	-	-		
Fund Balances:						
Reserved:						
Reserved for encumbrances	-	-	-	-		
Reserved for loans receivable	-	-	-	-		
Reserved for special donations	17,413	-	-	-		
Unreserved:						
Designated for continuing appropriations	-	-	-	-		
Undesignated	-	70,349	4,802	3,736		
Total Fund Balances	17,413	70,349	4,802	3,736		
Total Liabilities and Fund Balances	\$ 23,288	\$ 70,500	\$ 4,802	\$ 3,736		

CITY OF BANNING

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2009**

	Special Revenue Funds				
	D.A.R.E./ G.R.E.A.T.	Ramsey/ Highland Home Signal	Wilson Median Improvement	Riverside County MOU	
Assets:					
Pooled cash and investments	\$ 1,627	\$ 78,707	\$ 368,294	\$ 441,011	
Receivables:					
Accounts	1,927	-	-	-	
Loans	-	-	-	-	
Interest	2	273	1,279	1,644	
Due from other governments	-	-	-	-	
Total Assets	\$ 3,556	\$ 78,980	\$ 369,573	\$ 442,655	
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$ 2,060	\$ -	\$ -	\$ -	
Accrued liabilities	-	-	-	-	11,660
Deferred revenues	-	-	-	-	
Deposits payable	-	-	-	-	
Due to other funds	-	-	-	-	
Total Liabilities	2,060	-	-	-	11,660
Fund Balances:					
Reserved:					
Reserved for encumbrances	-	-	-	-	
Reserved for loans receivable	-	-	-	-	
Reserved for special donations	-	-	-	-	
Unreserved:					
Designated for continuing appropriations	1,496	-	-	-	
Undesignated	-	78,980	369,573	430,995	
Total Fund Balances	1,496	78,980	369,573	430,995	
Total Liabilities and Fund Balances	\$ 3,556	\$ 78,980	\$ 369,573	\$ 442,655	

CITY OF BANNING

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2009

(Continued)

Capital Projects Funds					
	Police Facilities Development	Fire Facilities Development	Traffic Control Facilities	General Facilities	
Assets:					
Pooled cash and investments	\$ 15,905	\$ 892,903	\$ 371,090	\$ 452,487	
Receivables:					
Accounts	-	-	-	-	
Loans	-	-	-	-	
Interest	53	3,099	1,303	1,571	
Due from other governments	<hr/>	<hr/>	<hr/>	<hr/>	
Total Assets	<u>\$ 15,958</u>	<u>\$ 896,002</u>	<u>\$ 372,393</u>	<u>\$ 454,058</u>	
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	
Accrued liabilities	-	-	-	-	
Deferred revenues	-	-	-	-	
Deposits payable	-	-	-	-	
Due to other funds	<hr/>	<hr/>	<hr/>	<hr/>	
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Fund Balances:					
Reserved:					
Reserved for encumbrances	-	-	-	-	
Reserved for loans receivable	-	-	-	-	
Reserved for special donations	-	-	-	-	
Unreserved:					
Designated for continuing appropriations	-	-	225,000	-	
Undesignated	<u>15,958</u>	<u>896,002</u>	<u>147,393</u>	<u>454,058</u>	
Total Fund Balances	<u>15,958</u>	<u>896,002</u>	<u>372,393</u>	<u>454,058</u>	
Total Liabilities and Fund Balances	<u>\$ 15,958</u>	<u>\$ 896,002</u>	<u>\$ 372,393</u>	<u>\$ 454,058</u>	

CITY OF BANNING

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2009**

Capital Projects Funds				
	Park Development	Sunset Grade Separation	Total Governmental Funds	
Assets:				
Pooled cash and investments	\$ 272,045	\$ 67	\$	5,213,626
Receivables:				
Accounts	-	57,087		59,014
Loans	-	-		1,182
Interest	1,513	84		18,959
Due from other governments	-	-		363,076
Total Assets	\$ 273,558	\$ 57,238	\$	5,655,857
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 23,997	\$ 33,521	\$	115,614
Accrued liabilities	-	-		32,210
Deferred revenues	-	-		32,999
Deposits payable	-	-		101,711
Due to other funds	-	15,800		55,000
Total Liabilities	23,997	49,321		337,534
Fund Balances:				
Reserved:				
Reserved for encumbrances	100,925	928,860		1,322,778
Reserved for loans receivable	-	-		1,182
Reserved for special donations	-	-		17,413
Unreserved:				
Designated for continuing appropriations	148,636	-		601,844
Undesignated	-	(920,943)		3,375,106
Total Fund Balances	249,561	7,917	\$	5,318,323
Total Liabilities and Fund Balances	\$ 273,558	\$ 57,238	\$	5,655,857

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CITY OF BANNING

COMBINING STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2009

	Special Revenue Funds			
	Gas Tax Street	Measure A	SB 300 Street	Article 3 Sidewalk
Revenues:				
Taxes	\$ -	\$ 561,231	\$ -	\$ -
Intergovernmental	1,150,464	150,000	-	93,000
Charges for services	-	-	-	-
Use of money and property	12,419	14,373	3,138	4,163
Miscellaneous	2,678	-	-	-
Total Revenues	1,165,561	725,604	3,138	97,163
Expenditures:				
Current:				
Public safety	-	-	-	-
Parks and recreation	-	-	-	-
Public works	993,016	-	-	-
Capital outlay	-	682,000	-	99,935
Total Expenditures	993,016	682,000	-	99,935
Excess (Deficiency) of Revenues Over (Under) Expenditures	172,545	43,604	3,138	(2,772)
Other Financing Sources (Uses):				
Transfers in	476,933	450,321	-	37,270
Transfers out	(450,321)	(37,270)	-	-
Total Other Financing Sources (Uses)	26,612	413,051	-	37,270
Net Change in Fund Balances	199,157	456,655	3,138	34,498
Fund Balances, Beginning of Year	309,057	738,468	141,990	(20,840)
Restatements	(429)	-	-	-
Fund Balances, Beginning of Year, as Restated	308,628	738,468	141,990	(20,840)
Fund Balances, End of Year	\$ 507,785	\$ 1,195,123	\$ 145,128	\$ 13,658

CITY OF BANNING

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2009

(Continued)

Special Revenue Funds				
	Community Development Block Grant	Landscape Maintenance District	AQMD Air Pollution Program	Asset Forfeiture
Revenues:				
Taxes	\$ -	\$ 117,860	\$ -	\$ -
Intergovernmental	126,401	-	33,030	-
Charges for services	-	-	-	-
Use of money and property	-	2,448	5,653	53
Miscellaneous	-	-	-	-
Total Revenues	126,401	120,308	38,683	53
Expenditures:				
Current:				
Public safety	-	-	-	-
Parks and recreation	41,003	-	-	-
Public works	-	85,807	-	-
Capital outlay	99,410	-	49,501	-
Total Expenditures	140,413	85,807	49,501	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(14,012)	34,501	(10,818)	53
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	(14,012)	34,501	(10,818)	53
Fund Balances, Beginning of Year	-	100,578	250,699	2,397
Restatements	-	-	-	-
Fund Balances, Beginning of Year, as Restated	-	100,578	250,699	2,397
Fund Balances, End of Year	\$ (14,012)	\$ 135,079	\$ 239,881	\$ 2,450

CITY OF BANNING

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2009

	Special Revenue Funds			
	San Gorgonio Gang Task Force	Supplemental Law Enforcement	Public Safety Sales Tax	State Park Bond Act
Revenues:				
Taxes	\$ -	\$ -	\$ 210,055	\$ -
Intergovernmental	1,000	100,306	-	-
Charges for services	-	-	-	-
Use of money and property	61	536	589	20
Miscellaneous	-	-	-	-
Total Revenues	1,061	100,842	210,644	20
Expenditures:				
Current:				
Public safety	1,803	41,996	-	-
Parks and recreation	-	-	-	-
Public works	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	1,803	41,996	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(742)	58,846	210,644	20
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	-	(260,000)	-
Total Other Financing Sources (Uses)	-	-	(260,000)	-
Net Change in Fund Balances	(742)	58,846	(49,356)	20
Fund Balances, Beginning of Year	2,796	41,876	65,663	895
Restatements	-	-	-	-
Fund Balances, Beginning of Year, as Restated	2,796	41,876	65,663	895
Fund Balances, End of Year	\$ 2,054	\$ 100,722	\$ 16,307	\$ 915

CITY OF BANNING

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2009

(Continued)

	Special Revenue Funds			
	Special Donations	Senior Center Activities	Animal Control Reserve	Police Volunteer
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for services	-	381	-	-
Use of money and property	-	1,553	104	32
Miscellaneous	3,176	10,945	-	-
Total Revenues	3,176	12,879	104	32
Expenditures:				
Current:				
Public safety	-	-	-	324
Parks and recreation	9,717	13,520	-	-
Public works	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	9,717	13,520	-	324
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,541)	(641)	104	(292)
Other Financing Sources (Uses):				
Transfers in	4,224	-	-	3,000
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	4,224	-	-	3,000
Net Change in Fund Balances	(2,317)	(641)	104	2,708
Fund Balances, Beginning of Year	19,730	70,990	4,698	1,028
Restatements	-	-	-	-
Fund Balances, Beginning of Year, as Restated	19,730	70,990	4,698	1,028
Fund Balances, End of Year	\$ 17,413	\$ 70,349	\$ 4,802	\$ 3,736

CITY OF BANNING

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2009

Special Revenue Funds				
	D.A.R.E./ G.R.E.A.T.	Ramsey/ Highland Home Signal	Wilson Median Improvement	Riverside County MOU
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	139,255	-	-	300,000
Charges for services	-	-	-	-
Use of money and property	7	1,708	7,992	10,112
Miscellaneous	-	-	-	-
Total Revenues	139,262	1,708	7,992	310,112
Expenditures:				
Current:				
Public safety	151,260	-	-	207,387
Parks and recreation	-	-	-	-
Public works	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	151,260	-	-	207,387
Excess (Deficiency) of Revenues Over (Under) Expenditures	(11,998)	1,708	7,992	102,725
Other Financing Sources (Uses):				
Transfers in	3,242	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	3,242	-	-	-
Net Change in Fund Balances	(8,756)	1,708	7,992	102,725
Fund Balances, Beginning of Year	10,252	77,272	361,581	328,270
Restatements	-	-	-	-
Fund Balances, Beginning of Year, as Restated	10,252	77,272	361,581	328,270
Fund Balances, End of Year	\$ 1,496	\$ 78,980	\$ 369,573	\$ 430,995

CITY OF BANNING

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2009

(Continued)

Capital Projects Funds				
	Police Facilities Development	Fire Facilities Development	Traffic Control Facilities	General Facilities
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Use of money and property	184	19,199	7,989	9,751
Miscellaneous	8,296	12,750	17,160	4,596
Total Revenues	8,480	31,949	25,149	14,347
Expenditures:				
Current:				
Public safety	-	-	-	-
Parks and recreation	-	-	-	-
Public works	-	-	8,476	-
Capital outlay	-	-	-	-
Total Expenditures	-	-	8,476	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	8,480	31,949	16,673	14,347
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	8,480	31,949	16,673	14,347
Fund Balances, Beginning of Year	7,478	864,053	355,720	439,711
Restatements	-	-	-	-
Fund Balances, Beginning of Year, as Restated	7,478	864,053	355,720	439,711
Fund Balances, End of Year	\$ 15,958	\$ 896,002	\$ 372,393	\$ 454,058

CITY OF BANNING

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2009

<u>Capital Projects Funds</u>			
	Park Development	Sunset Grade Separation	Total Governmental Funds
Revenues:			
Taxes	\$ -	\$ -	\$ 889,146
Intergovernmental	- -	468,029	2,561,485
Charges for services	- -	- -	381
Use of money and property	9,525	449	112,058
Miscellaneous	6,376	- -	65,977
Total Revenues	15,901	468,478	3,629,047
Expenditures:			
Current:			
Public safety	- -	- -	402,770
Parks and recreation	45,480	- -	109,720
Public works	- -	- -	1,087,299
Capital outlay	1,804	320,555	1,253,205
Total Expenditures	47,284	320,555	2,852,994
Excess (Deficiency) of Revenues Over (Under) Expenditures	(31,383)	147,923	776,053
Other Financing Sources (Uses):			
Transfers in	- -	- -	974,990
Transfers out	(151,863)	- -	(899,454)
Total Other Financing Sources (Uses)	(151,863)	- -	75,536
Net Change in Fund Balances	(183,246)	147,923	851,589
Fund Balances, Beginning of Year	432,807	(140,006)	4,467,163
Restatements	- -	- -	(429)
Fund Balances, Beginning of Year, as Restated	432,807	(140,006)	4,466,734
Fund Balances, End of Year	\$ 249,561	\$ 7,917	\$ 5,318,323

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
GAS TAX STREET
YEAR ENDED JUNE 30, 2009

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Budgetary Fund Balance, July 1, as restated	\$ 308,628	\$ 308,628	\$ 308,628	\$ -
Resources (Inflows):				
Intergovernmental	520,000	1,008,965	1,150,464	141,499
Use of money and property	15,000	8,000	12,419	4,419
Miscellaneous	1,400	2,494	2,678	184
Transfers in	555,273	476,933	476,933	-
 Amounts Available for Appropriation	1,400,301	1,805,020	1,951,122	146,102
Charges to Appropriation (Outflow):				
Public works	1,100,943	1,071,918	993,016	78,902
Capital outlay	-	100,000	-	100,000
Transfers out	82,522	537,258	450,321	86,937
 Total Charges to Appropriations	1,183,465	1,709,176	1,443,337	265,839
Budgetary Fund Balance, June 30	\$ 216,836	\$ 95,844	\$ 507,785	\$ 411,941

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
MEASURE A
YEAR ENDED JUNE 30, 2009

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Budgetary Fund Balance, July 1	\$ 738,468	\$ 738,468	\$ 738,468	\$ -
Resources (Inflows):				
Taxes	550,000	475,000	561,231	86,231
Intergovernmental	-	150,000	150,000	-
Use of money and property	12,000	12,000	14,373	2,373
Transfers in	-	454,736	450,321	(4,415)
Amounts Available for Appropriation	1,300,468	1,830,204	1,914,393	84,189
Charges to Appropriation (Outflow):				
Capital outlay	-	830,137	682,000	148,137
Transfers out	-	45,159	37,270	7,889
Total Charges to Appropriations	-	875,296	719,270	156,026
Budgetary Fund Balance, June 30	\$ 1,300,468	\$ 954,908	\$ 1,195,123	\$ 240,215

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
 SB 300 STREET
 YEAR ENDED JUNE 30, 2009

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 141,990	\$ 141,990	\$ 141,990	\$ -
Resources (Inflows):				
Use of money and property	4,500	4,500	3,138	(1,362)
Amounts Available for Appropriation	146,490	146,490	145,128	(1,362)
Budgetary Fund Balance, June 30	\$ 146,490	\$ 146,490	\$ 145,128	\$ (1,362)

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
 ARTICLE 3 SIDEWALK
 YEAR ENDED JUNE 30, 2009

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Budgetary Fund Balance, July 1	\$ (20,840)	\$ (20,840)	\$ (20,840)	\$ -
Resources (Inflows):				
Intergovernmental	-	127,017	93,000	(34,017)
Use of money and property	-	-	4,163	4,163
Transfers in	-	45,159	37,270	(7,889)
Amounts Available for Appropriation	(20,840)	151,336	113,593	(37,743)
Charges to Appropriation (Outflow):				
Capital outlay	-	141,842	99,935	41,907
Total Charges to Appropriations	-	141,842	99,935	41,907
Budgetary Fund Balance, June 30	\$ (20,840)	\$ 9,494	\$ 13,658	\$ 4,164

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
 COMMUNITY DEVELOPMENT BLOCK GRANT
 YEAR ENDED JUNE 30, 2009

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Intergovernmental	165,000	430,544	126,401	(304,143)
Amounts Available for Appropriation	165,000	430,544	126,401	(304,143)
Charges to Appropriation (Outflow):				
Parks and recreation	165,000	331,134	41,003	290,131
Capital outlay	-	99,410	99,410	-
Total Charges to Appropriations	165,000	430,544	140,413	290,131
Budgetary Fund Balance, June 30	\$ -	\$ -	\$ (14,012)	\$ (14,012)

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
 LANDSCAPE MAINTENANCE DISTRICT
 YEAR ENDED JUNE 30, 2009

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
Budgetary Fund Balance, July 1	\$ 100,578	\$ 100,578	\$ 100,578	\$ -
Resources (Inflows):				
Taxes	124,232	124,232	117,860	(6,372)
Use of money and property	1,200	1,200	2,448	1,248
Transfers in	82,522	82,522	-	(82,522)
Amounts Available for Appropriation	308,532	308,532	220,886	(87,646)
Charges to Appropriation (Outflow):				
Public works	230,525	260,525	85,807	174,718
Total Charges to Appropriations	230,525	260,525	85,807	174,718
Budgetary Fund Balance, June 30	\$ 78,007	\$ 48,007	\$ 135,079	\$ 87,072

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
 AQMD AIR POLLUTION PROGRAM
 YEAR ENDED JUNE 30, 2009

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 250,699	\$ 250,699	\$ 250,699	\$ -
Resources (Inflows):				
Intergovernmental	33,000	33,000	33,030	30
Use of money and property	6,500	6,500	5,653	(847)
Amounts Available for Appropriation	290,199	290,199	289,382	(817)
Charges to Appropriation (Outflow):				
Public works	-	42,660	-	42,660
Capital outlay	-	52,459	49,501	2,958
Total Charges to Appropriations	-	95,119	49,501	45,618
Budgetary Fund Balance, June 30	\$ 290,199	\$ 195,080	\$ 239,881	\$ 44,801

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
ASSET FORFEITURE
YEAR ENDED JUNE 30, 2009

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
	\$ 2,397	\$ 2,397		
Budgetary Fund Balance, July 1			\$ 2,397	\$ -
Resources (Inflows):				
Use of money and property	80	80	53	(27)
Amounts Available for Appropriation	2,477	2,477	2,450	(27)
Budgetary Fund Balance, June 30	\$ 2,477	\$ 2,477	\$ 2,450	\$ (27)

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
 SAN GORGONIO GANG TASK FORCE
 YEAR ENDED JUNE 30, 2009

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 2,796	\$ 2,796	\$ 2,796	\$ -
Resources (Inflows):				
Intergovernmental	-	1,000	1,000	-
Use of money and property	100	100	61	(39)
Amounts Available for Appropriation	2,896	3,896	3,857	(39)
Charges to Appropriation (Outflow):				
Public safety	1,371	433	1,803	(1,370)
Total Charges to Appropriations	1,371	433	1,803	(1,370)
Budgetary Fund Balance, June 30	\$ 1,525	\$ 3,463	\$ 2,054	\$ (1,409)

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
SUPPLEMENTAL LAW ENFORCEMENT
YEAR ENDED JUNE 30, 2009

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 41,876	\$ 41,876	\$ 41,876	\$ -
Resources (Inflows):				
Intergovernmental	-	100,000	100,306	306
Use of money and property	-	241	536	295
Amounts Available for Appropriation	41,876	142,117	142,718	601
Charges to Appropriation (Outflow):				
Public safety	-	44,256	41,996	2,260
Capital outlay	-	97,620	-	97,620
Total Charges to Appropriations	-	141,876	41,996	99,880
Budgetary Fund Balance, June 30	\$ 41,876	\$ 241	\$ 100,722	\$ 100,481

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
 PUBLIC SAFETY SALES TAX
 YEAR ENDED JUNE 30, 2009

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 65,663	\$ 65,663	\$ 65,663	\$ -
Resources (Inflows):				
Taxes	230,000	230,000	210,055	(19,945)
Use of money and property	2,000	2,000	589	(1,411)
Amounts Available for Appropriation	297,663	297,663	276,307	(21,356)
Charges to Appropriation (Outflow):				
Transfers out	260,000	260,000	260,000	-
Total Charges to Appropriations	260,000	260,000	260,000	-
Budgetary Fund Balance, June 30	\$ 37,663	\$ 37,663	\$ 16,307	\$ (21,356)

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
SPECIAL DONATIONS
YEAR ENDED JUNE 30, 2009

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Budgetary Fund Balance, July 1	\$ 19,730	\$ 19,730	\$ 19,730	\$ -
Resources (Inflows):				
Miscellaneous	2,500	2,873	3,176	303
Transfers in	15,000	15,000	4,224	(10,776)
Amounts Available for Appropriation	37,230	37,603	27,130	(10,473)
Charges to Appropriation (Outflow):				
Parks and recreation	17,500	17,500	9,717	7,783
Total Charges to Appropriations	17,500	17,500	9,717	7,783
Budgetary Fund Balance, June 30	\$ 19,730	\$ 20,103	\$ 17,413	\$ (2,690)

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
 SENIOR CENTER ACTIVITIES
 YEAR ENDED JUNE 30, 2009

	Budget Amounts		Actual Amounts		Variance with Final Budget
	Original	Final			Positive (Negative)
Budgetary Fund Balance, July 1	\$ 70,990	\$ 70,990	\$ 70,990	\$ -	-
Resources (Inflows):					
Charges for services	650	650	381		(269)
Use of money and property	2,800	2,800	1,553		(1,247)
Miscellaneous	15,600	11,667	10,945		(722)
Amounts Available for Appropriation	90,040	86,107	83,869		(2,238)
Charges to Appropriation (Outflow):					
Parks and recreation	17,825	19,602	13,520		6,082
Total Charges to Appropriations	17,825	19,602	13,520		6,082
Budgetary Fund Balance, June 30	\$ 72,215	\$ 66,505	\$ 70,349		\$ 3,844

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
 ANIMAL CONTROL RESERVE
 YEAR ENDED JUNE 30, 2009

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
	\$ 4,698	\$ 4,698		
Budgetary Fund Balance, July 1			\$ 4,698	\$ -
Resources (Inflows):				
Use of money and property	200	200	104	(96)
Amounts Available for Appropriation	4,898	4,898	4,802	(96)
Budgetary Fund Balance, June 30	\$ 4,898	\$ 4,898	\$ 4,802	\$ (96)

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
 POLICE VOLUNTEER
 YEAR ENDED JUNE 30, 2009

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,028	\$ 1,028	\$ 1,028	\$ -
Resources (Inflows):				
Use of money and property	50	50	32	(18)
Transfers in	3,000	3,000	3,000	-
Amounts Available for Appropriation	4,078	4,078	4,060	(18)
Charges to Appropriation (Outflow):				
Public safety	3,053	3,053	324	2,729
Total Charges to Appropriations	3,053	3,053	324	2,729
Budgetary Fund Balance, June 30	\$ 1,025	\$ 1,025	\$ 3,736	\$ 2,711

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
D.A.R.E./G.R.E.A.T.
YEAR ENDED JUNE 30, 2009

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Budgetary Fund Balance, July 1	\$ 10,252	\$ 10,252	\$ 10,252	\$ -
Resources (Inflows):				
Intergovernmental	-	142,903	139,255	(3,648)
Use of money and property	-	-	7	7
Transfers in	-	3,242	3,242	-
Amounts Available for Appropriation	10,252	156,397	152,756	(3,641)
Charges to Appropriation (Outflow):				
Public safety	-	153,736	151,260	2,476
Capital outlay	-	2,857	-	2,857
Total Charges to Appropriations	-	156,593	151,260	5,333
Budgetary Fund Balance, June 30	\$ 10,252	\$ (196)	\$ 1,496	\$ 1,692

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
RAMSEY/HIGHLAND HOME SIGNAL
YEAR ENDED JUNE 30, 2009

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 77,272	\$ 77,272	\$ 77,272	\$ -
Resources (Inflows):				
Use of money and property	2,500	2,500	1,708	(792)
Amounts Available for Appropriation	79,772	79,772	78,980	(792)
Budgetary Fund Balance, June 30	\$ 79,772	\$ 79,772	\$ 78,980	\$ (792)

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
WILSON MEDIAN IMPROVEMENT
YEAR ENDED JUNE 30, 2009

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 361,581	\$ 361,581	\$ 361,581	\$ -
Resources (Inflows):				
Use of money and property	12,500	12,500	7,992	(4,508)
Amounts Available for Appropriation	374,081	374,081	369,573	(4,508)
Budgetary Fund Balance, June 30	\$ 374,081	\$ 374,081	\$ 369,573	\$ (4,508)

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
RIVERSIDE COUNTY MOU
YEAR ENDED JUNE 30, 2009

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 328,270	\$ 328,270	\$ 328,270	\$ -
Resources (Inflows):				
Intergovernmental	300,000	300,000	300,000	-
Use of money and property	-	7,300	10,112	2,812
Amounts Available for Appropriation	628,270	635,570	638,382	2,812
Charges to Appropriation (Outflow):				
Public safety	139,548	204,417	207,387	(2,970)
Total Charges to Appropriations	139,548	204,417	207,387	(2,970)
Budgetary Fund Balance, June 30	\$ 488,722	\$ 431,153	\$ 430,995	\$ (158)

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
 POLICE FACILITIES DEVELOPMENT
 YEAR ENDED JUNE 30, 2009

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Budgetary Fund Balance, July 1	\$ 7,478	\$ 7,478	\$ 7,478	\$ -
Resources (Inflows):				
Use of money and property	1,200	1,200	184	(1,016)
Miscellaneous	20,000	-	8,296	8,296
Amounts Available for Appropriation	28,678	8,678	15,958	7,280
Budgetary Fund Balance, June 30	\$ 28,678	\$ 8,678	\$ 15,958	\$ 7,280

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
FIRE FACILITIES DEVELOPMENT
YEAR ENDED JUNE 30, 2009

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Budgetary Fund Balance, July 1	\$ 864,053	\$ 864,053	\$ 864,053	\$ -
Resources (Inflows):				
Use of money and property	28,000	22,000	19,199	(2,801)
Miscellaneous	32,000	-	12,750	12,750
Amounts Available for Appropriation	924,053	886,053	896,002	9,949
Budgetary Fund Balance, June 30	\$ 924,053	\$ 886,053	\$ 896,002	\$ 9,949

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
 TRAFFIC CONTROL FACILITIES
 YEAR ENDED JUNE 30, 2009

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Budgetary Fund Balance, July 1	\$ 355,720	\$ 355,720	\$ 355,720	\$ -
Resources (Inflows):				
Use of money and property	10,000	10,000	7,989	(2,011)
Miscellaneous	16,000	-	17,160	17,160
Amounts Available for Appropriation	381,720	365,720	380,869	15,149
Charges to Appropriation (Outflow):				
Public works	50,000	58,475	8,476	49,999
Capital outlay	175,000	175,000	-	175,000
Total Charges to Appropriations	225,000	233,475	8,476	224,999
Budgetary Fund Balance, June 30	\$ 156,720	\$ 132,245	\$ 372,393	\$ 240,148

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
GENERAL FACILITIES
YEAR ENDED JUNE 30, 2009

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Budgetary Fund Balance, July 1	\$ 439,711	\$ 439,711	\$ 439,711	\$ -
Resources (Inflows):				
Use of money and property	13,000	13,000	9,751	(3,249)
Miscellaneous	11,500	-	4,596	4,596
Amounts Available for Appropriation	464,211	452,711	454,058	1,347
Budgetary Fund Balance, June 30	\$ 464,211	\$ 452,711	\$ 454,058	\$ 1,347

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
 PARK DEVELOPMENT
 YEAR ENDED JUNE 30, 2009

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Budgetary Fund Balance, July 1	\$ 432,807	\$ 432,807	\$ 432,807	\$ -
Resources (Inflows):				
Use of money and property	14,000	14,000	9,525	(4,475)
Miscellaneous	26,000	-	6,376	6,376
Amounts Available for Appropriation	472,807	446,807	448,708	1,901
Charges to Appropriation (Outflow):				
Parks and recreation	-	125,000	45,480	79,520
Capital outlay	-	152,057	1,804	150,253
Transfers out	-	151,863	151,863	-
Total Charges to Appropriations	-	428,920	199,147	229,773
Budgetary Fund Balance, June 30	\$ 472,807	\$ 17,887	\$ 249,561	\$ 231,674

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
 CAPITAL IMPROVEMENT
 YEAR ENDED JUNE 30, 2009

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 15,907,150	\$ 15,907,150	\$ 15,907,150	\$ -
Resources (Inflows):				
Use of money and property	350,000	350,000	428,737	78,737
Miscellaneous	-	-	3,986	3,986
Amounts Available for Appropriation	16,257,150	16,257,150	16,339,873	82,723
Charges to Appropriation (Outflow):				
Public safety	66,000	109,579	109,718	(139)
Capital outlay	-	14,122,278	7,277,961	6,844,317
Total Charges to Appropriations	66,000	14,231,857	7,387,679	6,844,178
Budgetary Fund Balance, June 30	\$ 16,191,150	\$ 2,025,293	\$ 8,952,194	\$ 6,926,901

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
SUNSET GRADE SEPARATION
YEAR ENDED JUNE 30, 2009

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Budgetary Fund Balance, July 1	\$ (140,006)	\$ (140,006)	\$ (140,006)	\$ -
Resources (Inflows):				
Intergovernmental	-	1,397,477	468,029	(929,448)
Use of money and property	-	-	449	449
Amounts Available for Appropriation	(140,006)	1,257,471	328,472	(928,999)
Charges to Appropriation (Outflow):				
Capital outlay	-	1,257,471	320,555	936,916
Total Charges to Appropriations	-	1,257,471	320,555	936,916
Budgetary Fund Balance, June 30	\$ (140,006)	\$ -	\$ 7,917	\$ 7,917

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
REDEVELOPMENT AGENCY - CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2009

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Budgetary Fund Balance, July 1, as restated	\$ 36,679,689	\$ 36,679,689	\$ 36,679,689	\$ -
Resources (Inflows):				
Taxes	-	-	1,216,360	1,216,360
Use of money and property	642,400	442,400	311,904	(130,496)
Miscellaneous	-	-	27,343	27,343
Transfers in	4,916,755	5,490,976	3,949,212	(1,541,764)
Other debts issued	-	-	200,000	200,000
Amounts Available for Appropriation	42,238,844	42,613,065	42,384,508	(228,557)
Charges to Appropriation (Outflow):				
General government	2,231,539	3,376,527	2,266,808	1,109,719
Capital outlay	149,597	11,393,249	3,343,684	8,049,565
Transfers out	193,160	391,510	193,160	198,350
Total Charges to Appropriations	2,574,296	15,161,286	5,803,652	9,357,634
Budgetary Fund Balance, June 30	\$ 39,664,548	\$ 27,451,779	\$ 36,580,856	\$ 9,129,077

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
 REDEVELOPMENT AGENCY - DEBT SERVICE FUND
 YEAR ENDED JUNE 30, 2009

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 7,370,694	\$ 7,370,694	\$ 7,370,694	\$ -
Resources (Inflows):				
Taxes	4,807,687	3,940,294	3,423,384	(516,910)
Use of money and property	770,683	625,683	653,896	28,213
Transfers in	193,160	193,160	193,160	-
Amounts Available for Appropriation	13,142,224	12,129,831	11,641,134	(488,697)
Charges to Appropriation (Outflow):				
General government	40,890	40,890	94,598	(53,708)
Debt service:				
Principal retirement	720,542	720,542	669,939	50,603
Interest and fiscal charges	2,088,329	2,091,804	2,097,343	(5,539)
Transfers out	4,916,755	4,899,913	3,556,499	1,343,414
Total Charges to Appropriations	7,766,516	7,753,149	6,418,379	1,334,770
Budgetary Fund Balance, June 30	\$ 5,375,708	\$ 4,376,682	\$ 5,222,755	\$ 846,073

CITY OF BANNING

COMBINING STATEMENT OF NET ASSETS
NON-MAJOR ENTERPRISE FUNDS
JUNE 30, 2009

	Airport	Transit	Refuse Utility	Totals
Assets:				
Current:				
Cash and investments	\$ 214,213	\$ 175,836	\$ 283,767	\$ 673,816
Receivables:				
Accounts	209	2,192	456,665	459,066
Notes and loans	-	2,275	-	2,275
Interest	745	900	897	2,542
Due from other governments	-	6,494	-	6,494
Inventories	15,955	-	-	15,955
Total Current Assets	231,122	187,697	741,329	1,160,148
Noncurrent:				
Capital assets - net of accumulated depreciation	1,690,040	89,508	13,115	1,792,663
Total Noncurrent Assets	1,690,040	89,508	13,115	1,792,663
Total Assets	\$ 1,921,162	\$ 277,205	\$ 754,444	\$ 2,952,811
Liabilities and Net Assets:				
Liabilities:				
Current:				
Accounts payable	\$ 30,885	\$ 2,226	\$ 251,162	\$ 284,273
Accrued liabilities	1,682	34,874	6,153	42,709
Unearned revenues	-	109,296	-	109,296
Deposits payable	30,516	-	64,798	95,314
Compensated absences	-	4,880	2,745	7,625
Total Current Liabilities	63,083	151,276	324,858	539,217
Noncurrent:				
Compensated absences	181	36,161	18,458	54,800
Total Noncurrent Liabilities	181	36,161	18,458	54,800
Total Liabilities	63,264	187,437	343,316	594,017
Net Assets:				
Invested in capital assets, net of related debt	1,690,040	89,508	13,115	1,792,663
Unrestricted	167,858	260	398,013	566,131
Total Net Assets	1,857,898	89,768	411,128	2,358,794
Total Liabilities and Net Assets	\$ 1,921,162	\$ 277,205	\$ 754,444	\$ 2,952,811

CITY OF BANNING

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
NON-MAJOR ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2009

	Airport	Transit	Refuse Utility	Totals
Operating Revenues:				
Sales and service charges	\$ 223,357	\$ 120,315	\$ 3,093,952	\$ 3,437,624
Total Operating Revenues	223,357	120,315	3,093,952	3,437,624
Operating Expenses:				
Salaries and benefits	42,638	704,112	68,444	815,194
Supplies and services	218,093	568,232	3,001,363	3,787,688
Repairs and maintenance	6,319	-	-	6,319
Depreciation expense	107,767	154,563	3,935	266,265
Total Operating Expenses	374,817	1,426,907	3,073,742	4,875,466
Operating Income (Loss)	(151,460)	(1,306,592)	20,210	(1,437,842)
Nonoperating Revenues (Expenses):				
Intergovernmental	87,655	1,146,865	33,643	1,268,163
Interest revenue	4,646	7,406	6,547	18,599
Interest expense	(703)	-	-	(703)
Total Nonoperating Revenues (Expenses)	91,598	1,154,271	40,190	1,286,059
Income (Loss) Before Transfers	(59,862)	(152,321)	60,400	(151,783)
Transfers out	-	-	(55,000)	(55,000)
Changes in Net Assets	(59,862)	(152,321)	5,400	(206,783)
Net Assets:				
Beginning of Year	1,917,760	242,089	405,728	2,565,577
Restatements	-	-	-	-
Beginning of Fiscal Year, as restated	1,917,760	242,089	405,728	2,565,577
End of Fiscal Year	\$ 1,857,898	\$ 89,768	\$ 411,128	\$ 2,358,794

CITY OF BANNING

COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2009

	Airport	Transit	Refuse Utility	Totals
Cash Flows from Operating Activities:				
Cash received from customers and users	\$ 224,053	\$ 120,272	\$ 3,062,992	\$ 3,407,317
Cash paid to supplies for goods and services	(250,413)	(714,192)	(2,974,824)	(3,939,429)
Cash paid to employees for services	(42,775)	(701,877)	(63,702)	(808,354)
Net Cash Provided (Used) by Operating Activities	(69,135)	(1,295,797)	24,466	(1,340,466)
Cash Flows from Non-Capital Financing Activities:				
Cash transfers out	-	-	(55,000)	(55,000)
Intergovernmental	87,655	1,148,934	41,060	1,277,649
Net Cash Provided (Used) by Non-Capital Financing Activities	87,655	1,148,934	(13,940)	1,222,649
Cash Flows from Capital and Related Financing Activities:				
Acquisition and construction of capital assets	1	(1,982)	-	(1,981)
Interest paid on capital debt	(703)	-	-	(703)
Advance from other funds	(56,245)	-	-	(56,245)
Net Cash Provided (Used) by Capital and Related Financing Activities	(56,947)	(1,982)	-	(58,929)
Cash Flows from Investing Activities:				
Interest received	5,653	8,793	7,983	22,429
Net Cash Provided (Used) by Investing Activities	5,653	8,793	7,983	22,429
Net Increase (Decrease) in Cash and Cash Equivalents	(32,774)	(140,052)	18,509	(154,317)
Cash and Cash Equivalents at Beginning of Year	246,987	315,888	265,258	828,133
Cash and Cash Equivalents at End of Year	\$ 214,213	\$ 175,836	\$ 283,767	\$ 673,816
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ (151,460)	\$ (1,306,592)	\$ 20,210	\$ (1,437,842)
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:				
Depreciation	107,767	154,563	3,935	266,265
(Increase) decrease in accounts receivable	696	(43)	(30,960)	(30,307)
(Increase) decrease in loans receivable	-	(2,275)	-	(2,275)
(Increase) decrease in inventories	1,650	-	-	1,650
Increase (decrease) in accounts payable	(26,561)	(206)	20,524	(6,243)
Increase (decrease) in accrued liabilities	(182)	5,269	3,304	8,391
Increase (decrease) in deposits payable	(1,090)	-	6,015	4,925
Increase (decrease) in unearned revenue	-	(143,479)	-	(143,479)
Increase (decrease) in compensated absences	45	(3,034)	1,438	(1,551)
Total Adjustments	82,325	10,795	4,256	97,376
Net Cash Provided (Used) by Operating Activities	\$ (69,135)	\$ (1,295,797)	\$ 24,466	\$ (1,340,466)
Non-Cash Investing, Capital, and Financing Activities:				
There were no noncash transactions during the year.				

CITY OF BANNING

COMBINING STATEMENT OF NET ASSETS
 INTERNAL SERVICE FUNDS
 JUNE 30, 2009

	Self Insurance	Fleet Maintenance	Information Services
Assets:			
Current:			
Cash and investments	\$ 2,296,080	\$ 356,610	\$ 317,912
Receivables:			
Accounts	973	9,235	-
Loans	-	-	-
Interest	2,578	1,166	996
Due from other governments	-	6,838	-
Inventories	-	83,848	-
Total Current Assets	2,299,631	457,697	318,908
Noncurrent:			
Capital assets - net of accumulated depreciation	-	343,970	77,189
Total Noncurrent Assets	-	343,970	77,189
Total Assets	\$ 2,299,631	\$ 801,667	\$ 396,097
Liabilities and Net Assets:			
Liabilities:			
Current:			
Accounts payable	\$ 37,969	\$ 38,688	\$ 6,122
Accrued liabilities	6,889	10,278	10,688
Deposits payable	928	-	-
Total Current Liabilities	45,786	48,966	16,810
Noncurrent:			
Compensated absences	9,401	32,323	30,471
Claims and judgments	727,682	-	-
Total Noncurrent Liabilities	737,083	32,323	30,471
Total Liabilities	782,869	81,289	47,281
Net Assets:			
Invested in capital assets, net of related debt	-	343,970	77,189
Unrestricted	1,516,762	376,408	271,627
Total Net Assets	1,516,762	720,378	348,816
Total Liabilities and Net Assets	\$ 2,299,631	\$ 801,667	\$ 396,097

CITY OF BANNING

COMBINING STATEMENT OF NET ASSETS
 INTERNAL SERVICE FUNDS
 JUNE 30, 2009

	Utility Billing Accounting & Collection	Totals
Assets:		
Current:		
Cash and investments	\$ 541,833	\$ 3,512,435
Receivables:		
Accounts	29,108	39,316
Loans	1,205	1,205
Interest	1,876	6,616
Due from other governments	-	6,838
Inventories	-	83,848
Total Current Assets	574,022	3,650,258
Noncurrent:		
Capital assets - net of accumulated depreciation	62,777	483,936
Total Noncurrent Assets	62,777	483,936
Total Assets	\$ 636,799	\$ 4,134,194
Liabilities and Net Assets:		
Liabilities:		
Current:		
Accounts payable	\$ 492	\$ 83,271
Accrued liabilities	41,342	69,197
Deposits payable	-	928
Total Current Liabilities	41,834	153,396
Noncurrent:		
Compensated absences	51,153	123,348
Claims and judgments	-	727,682
Total Noncurrent Liabilities	51,153	851,030
Total Liabilities	92,987	1,004,426
Net Assets:		
Invested in capital assets, net of related debt	62,777	483,936
Unrestricted	481,035	2,645,832
Total Net Assets	543,812	3,129,768
Total Liabilities and Net Assets	\$ 636,799	\$ 4,134,194

CITY OF BANNING

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2009

	Self Insurance	Fleet Maintenance	Information Services
Operating Revenues:			
Sales and service charges	\$ 1,740,967	\$ 1,484,347	\$ 606,144
Total Operating Revenues	1,740,967	1,484,347	606,144
Operating Expenses:			
Salaries and benefits	166,661	347,805	312,099
Supplies and services	671,017	786,430	71,422
Repairs and maintenance	1,598	159,199	107,434
Insurance premiums	935,487	-	-
Depreciation expense	-	12,716	26,926
Total Operating Expenses	1,774,763	1,306,150	517,881
Operating Income (Loss)	(33,796)	178,197	88,263
Nonoperating Revenues (Expenses):			
Intergovernmental	-	27,636	-
Interest revenue	62,448	4,153	5,543
Miscellaneous	229,058	488	-
Total Nonoperating Revenues (Expenses)	291,506	32,277	5,543
Changes in Net Assets	257,710	210,474	93,806
Net Assets:			
Beginning of Year	1,259,052	509,904	255,010
End of Fiscal Year	\$ 1,516,762	\$ 720,378	\$ 348,816

CITY OF BANNING

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2009

	Utility Billing Accounting & Collection	Totals
Operating Revenues:		
Sales and service charges	\$ 1,738,977	\$ 5,570,435
Total Operating Revenues	1,738,977	5,570,435
Operating Expenses:		
Salaries and benefits	875,439	1,702,004
Supplies and services	626,839	2,155,708
Repairs and maintenance	31,865	300,096
Insurance premiums	-	935,487
Depreciation expense	23,116	62,758
Total Operating Expenses	1,557,259	5,156,053
Operating Income (Loss)	181,718	414,382
Nonoperating Revenues (Expenses):		
Intergovernmental	-	27,636
Interest revenue	9,718	81,862
Miscellaneous	-	229,546
Total Nonoperating Revenues (Expenses)	9,718	339,044
Changes in Net Assets	191,436	753,426
Net Assets:		
Beginning of Year	352,376	2,376,342
End of Fiscal Year	\$ 543,812	\$ 3,129,768

CITY OF BANNING

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2009

	Self Insurance	Fleet Maintenance	Information Services
Cash Flows from Operating Activities:			
Cash received from interfund service provided	\$ 1,739,994	\$ 1,496,908	\$ 606,144
Cash paid to supplies for goods and services	(665,626)	(901,429)	(174,847)
Cash paid to employees for services	(162,147)	(396,865)	(318,837)
Cash paid for claims	(1,143,853)	-	-
Operating Activities	(231,632)	198,614	112,460
Cash Flows from Non-Capital Financing Activities:			
Intergovernmental	-	38,520	-
Miscellaneous	229,058	488	-
Net Cash Provided (Used) by Non-Capital Financing Activities	229,058	39,008	-
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	-	-	(38,152)
Net Cash Provided (Used) by Capital and Related Financing Activities	-	-	(38,152)
Cash Flows from Investing Activities:			
Interest received	66,208	4,093	6,017
Net Cash Provided (Used) by Investing Activities	66,208	4,093	6,017
Net Increase (Decrease) in Cash and Cash Equivalents	63,634	241,715	80,325
Cash and Cash Equivalents at Beginning of Year	2,232,446	114,895	237,587
Cash and Cash Equivalents at End of Year	\$ 2,296,080	\$ 356,610	\$ 317,912
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ (33,796)	\$ 178,197	\$ 88,263
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:			
Depreciation	-	12,716	26,926
(Increase) decrease in accounts receivable	(973)	12,561	-
(Increase) decrease in loans receivable	-	4,149	-
(Increase) decrease in inventories	-	6,286	-
Increase (decrease) in accounts payable	6,989	33,765	4,009
Increase (decrease) in accrued liabilities	581	(12,030)	(1,233)
Increase (decrease) in claims and judgments	(208,366)	-	-
Increase (decrease) in compensated absences	3,933	(37,030)	(5,505)
Total Adjustments	(197,836)	20,417	24,197
Net Cash Provided (Used) by Operating Activities	\$ (231,632)	\$ 198,614	\$ 112,460

Non-Cash Investing, Capital, and Financing Activities:

There were no noncash transactions during the year.

CITY OF BANNING

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2009

	Utility Billing Accounting & Collection	Totals
Cash Flows from Operating Activities:		
Cash received from interfund service provided	\$ 1,757,999	\$ 5,601,045
Cash paid to supplies for goods and services	(679,097)	(2,420,999)
Cash paid to employees for services	(888,456)	(1,766,305)
Cash paid for claims	-	(1,143,853)
Operating Activities	190,446	269,888
Cash Flows from Non-Capital Financing Activities:		
Intergovernmental	-	38,520
Miscellaneous	-	229,546
Net Cash Provided (Used) by Non-Capital Financing Activities	-	268,066
Cash Flows from Capital and Related Financing Activities:		
Acquisition and construction of capital assets	-	(38,152)
Net Cash Provided (Used) by Capital and Related Financing Activities	-	(38,152)
Cash Flows from Investing Activities:		
Interest received	9,941	86,259
Net Cash Provided (Used) by Investing Activities	9,941	86,259
Net Increase (Decrease) in Cash and Cash Equivalents	200,387	586,061
Cash and Cash Equivalents at Beginning of Year	341,446	2,926,374
Cash and Cash Equivalents at End of Year	\$ 541,833	\$ 3,512,435
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$ 181,718	\$ 414,382
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:		
Depreciation	23,116	62,758
(Increase) decrease in accounts receivable	19,022	30,610
(Increase) decrease in loans receivable	(238)	3,911
(Increase) decrease in inventories	-	6,286
Increase (decrease) in accounts payable	(20,155)	24,608
Increase (decrease) in accrued liabilities	1,847	(10,835)
Increase (decrease) in claims and judgments	-	(208,366)
Increase (decrease) in compensated absences	(14,864)	(53,466)
Total Adjustments	8,728	(144,494)
Net Cash Provided (Used) by Operating Activities	\$ 190,446	\$ 269,888
Non-Cash Investing, Capital, and Financing Activities:		
There were no noncash transactions during the year.		

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CITY OF BANNING

COMBINING BALANCE SHEET
ALL AGENCY FUNDS
JUNE 30, 2009

	Sun Lake CFD 86-1	Special AD 91-1	Area Police Computer	Fair Oaks AD 2004-1	Cameo Homes	Totals
Assets:						
Cash and investments	\$ 34,159	\$ 295,505	\$ 49,469	\$ 122,530	\$ 44,656	\$ 546,319
Receivables:						
Accrued interest	119	800	171	265	155	1,510
Due from other governments	-	21,655	-	37,163	-	58,818
Restricted assets:						
Cash with fiscal agents	-	265,731	-	216,851	-	482,582
Total Assets	\$ 34,278	\$ 583,691	\$ 49,640	\$ 376,809	\$ 44,811	\$ 1,089,229
Accounts payable	\$ -	\$ -	\$ 1,877	\$ -	\$ -	\$ 1,877
Deposits payable	-	3,474	-	-	40,000	43,474
Due to bondholders	34,278	580,217	47,763	376,809	4,811	1,043,878
Total Liabilities	\$ 34,278	\$ 583,691	\$ 49,640	\$ 376,809	\$ 44,811	\$ 1,089,229

CITY OF BANNING

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
YEAR ENDED JUNE 30, 2009

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009
<u>Sun Lake CFD 86-1</u>				
Assets:				
Cash and investments	\$ 33,541	\$ 838	\$ 220	\$ 34,159
Receivables:				
Accrued interest	216	802	899	119
Total Assets	\$ 33,757	\$ 1,640	\$ 1,119	\$ 34,278
Liabilities:				
Due to bondholders	\$ 33,757	\$ 741	\$ 220	\$ 34,278
Total Liabilities	\$ 33,757	\$ 741	\$ 220	\$ 34,278
<u>Special AD 91-1</u>				
Assets:				
Cash and investments	\$ 461,845	\$ 1,686,120	\$ 1,852,460	\$ 295,505
Receivables:				
Accrued interest	2,581	8,773	10,554	800
Due from other governments	21,087	84,916	84,348	21,655
Restricted assets:				
Cash with fiscal agents	333,085	1,071,173	1,138,527	265,731
Total Assets	\$ 818,598	\$ 2,850,982	\$ 3,085,889	\$ 583,691
Liabilities:				
Deposits payable	\$ 160,279	\$ 482,837	\$ 639,642	\$ 3,474
Due to bondholders	658,319	458,515	536,617	580,217
Total Liabilities	\$ 818,598	\$ 941,352	\$ 1,176,259	\$ 583,691
<u>Area Police Computer</u>				
Assets:				
Cash and investments	\$ 21,154	\$ 110,465	\$ 82,150	\$ 49,469
Receivables:				
Accrued interest	304	1,133	1,266	171
Due from other governments	450	36,325	36,775	-
Total Assets	\$ 21,908	\$ 147,923	\$ 120,191	\$ 49,640
Liabilities:				
Accounts payable	\$ -	\$ 14,565	\$ 12,688	\$ 1,877
Due to bondholders	21,908	68,121	42,266	47,763
Total Liabilities	\$ 21,908	\$ 82,686	\$ 54,954	\$ 49,640

CITY OF BANNING

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
YEAR ENDED JUNE 30, 2009

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009
<u>Fair Oaks AD 2004-1</u>				
Assets:				
Cash and investments	\$ 103,558	\$ 533,194	\$ 514,222	\$ 122,530
Receivables:				
Accrued interest	388	1,506	1,629	265
Due from other governments	8,362	93,382	64,581	37,163
Restricted assets:				
Cash and investments with fiscal agents	216,449	727,787	727,385	216,851
Total Assets	\$ 328,757	\$ 1,355,869	\$ 1,307,817	\$ 376,809
Liabilities:				
Due to bondholders	\$ 328,757	\$ 581,070	\$ 533,018	\$ 376,809
Total Liabilities	\$ 328,757	\$ 581,070	\$ 533,018	\$ 376,809
<u>Cameo Homes</u>				
Assets:				
Cash and investments	\$ 43,562	\$ 131,781	\$ 130,687	\$ 44,656
Receivables:				
Accrued interest	280	1,039	1,164	155
Total Assets	\$ 43,842	\$ 132,820	\$ 131,851	\$ 44,811
Liabilities:				
Deposits payable	\$ 40,000	\$ 120,000	\$ 120,000	\$ 40,000
Due to bondholders	3,842	969	-	4,811
Total Liabilities	\$ 43,842	\$ 120,969	\$ 120,000	\$ 44,811
<u>Totals - All Agency Funds</u>				
Cash and investments	\$ 663,660	\$ 2,462,398	\$ 2,579,739	\$ 546,319
Receivables:				
Accrued interest	3,769	13,253	15,512	1,510
Due from other governments	29,899	214,623	185,704	58,818
Restricted assets:				
Cash with fiscal agents	549,534	1,798,960	1,865,912	482,582
Total Assets	\$ 1,246,862	\$ 4,489,234	\$ 4,646,867	\$ 1,089,229
Liabilities:				
Accounts payable	\$ -	\$ 14,565	\$ 12,688	\$ 1,877
Deposits payable	200,279	602,837	759,642	43,474
Due to bondholders	1,046,583	1,109,416	1,112,121	1,043,878
Total Liabilities	\$ 1,246,862	\$ 1,726,818	\$ 1,884,451	\$ 1,089,229

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