



CITY OF BANNING, CALIFORNIA
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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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, 2010, 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, 2010, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 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.

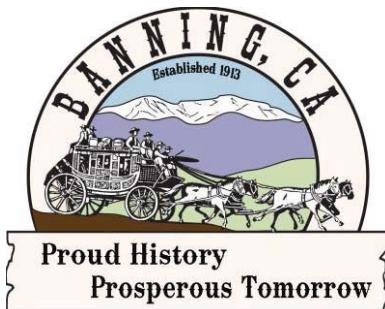


To The Honorable Mayor and Members of the City Council
City of Banning, California

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.

December 14, 2010



MANAGEMENT'S DISCUSSION AND ANALYSIS

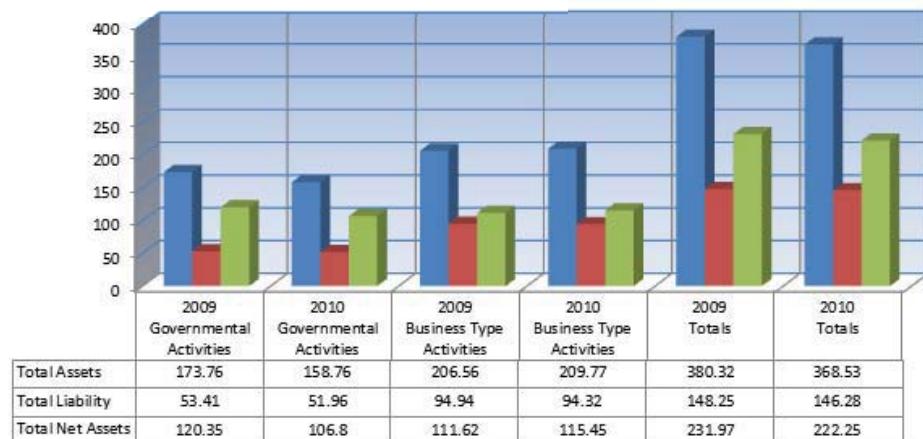
The management of the City of Banning (City) presents this narrative overview and analysis of the financial activities of the City for fiscal year ended June 30, 2010 (FY10). This discussion is intended to provide an introduction to the city's basic financial statements, as well as a financial comparison with the fiscal year ended June 30, 2009 (FY09). The City encourages readers to consider the information presented within this discussion and analysis in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS

NET ASSETS

- The City's combined net assets for FY10 was \$222.25 million (see Chart 1). "Net assets" represents the difference between the City resources (total assets) and its obligations (total liabilities).
- The City's net assets decreased by \$9.72 million, or -4.2% during the fiscal year. The net assets of the governmental activities decreased by \$13.55 million, or -11.2%, and the net assets of the business-type activities increased by \$3.83 million, or 3.4%.
- The most significant increase in assets was the Capital Assets, which increased by \$8.5 million.
- Total liabilities decreased in FY10 by \$1.97 million.

Chart 1 – net Assets



REVENUES AND EXPENDITURES

- During FY10, the City had revenues that were \$7.3 million less than the \$29.3 million expenses recorded by the City in its governmental activities.
- In the City's business-type activities, revenues were \$3.2 million less than the \$48.1 million in expenses recorded.
- The revenues available for expenditure were \$0.37 million less than budgeted for in the General Fund. The City kept General Fund expenditures within spending limits by \$1.2 million.

GENERAL FUND RESERVES

The City's reserve policy establishes that the General Fund will maintain a minimum Available Fund Balance (cash flow) reserve equal to 10% of the upcoming fiscal year's budgeted operational appropriations. The 10% reserve of \$1,280,607 is identified in the General Fund Balance Sheet as "Designated for working capital". This amount fluctuates each year based on the operational budget calculation. Any remaining fund balance is identified as "Undesignated". The General Fund reserve is intended to cover cash flow needs of the City due to the irregularity of many city revenues. It is important to maintain a reserve to assist with cash flow, provide stability and also to help maintain a favorable credit rating.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts—Management's Discussion and Analysis (this section), the basic financial statements, required supplementary information, and optional sections that present combining statements for non-major governmental funds, non-major enterprise funds, and internal service funds. The basic financial statements include two kinds of statements that present different views of the City.

- The **government-wide financial statements** provide both long-term and short-term information about the City's overall financial status in a manner similar to a private-sector business.
- The **fund financial statements** focus on individual parts of the city government and report the City's operations in a more detailed format than the government-wide statements.

The fund statements can be divided into three categories:

- **Government fund statements** tell how general government services such as police, fire, public works and special revenue funds were financed in the short-term as well as what remains for future spending.
- **Proprietary fund statements** offer short-term and long-term financial information about the activities the City operates like businesses, such as: water, wastewater and electric utility services, airport, and transit.

- **Fiduciary fund statements** provide information about the financial relationships in which the City acts solely as a trustee or agent for the benefit of other governmental units, private organizations, or individuals to whom the resources belong.

The notes to the financial statements provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. This report also presents certain required supplementary information including budgetary comparison statements for governmental funds. The notes to the required supplementary information present information concerning the City's budget process.

In addition to these required elements, combining statements that provide details about non-major governmental funds, non-major enterprise funds, and internal service funds are also presented.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

REPORTING THE CITY AS A WHOLE

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; however, it is important to consider other non-financial factors 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, the City Activities are separated 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.

The government-wide financial statements include not only the city itself, but also legally separate component units such as the Banning Redevelopment Agency and Banning Utility Authority. These

component units, while legally separate from the City, provide services entirely or almost exclusively for the benefit of the City. Therefore, these component units are blended with the City government because of their governance and their financial relationships with the City.

FUND FINANCIAL STATEMENTS

The fund financial statements provide detailed information about the most significant funds and other funds – not the City as a whole. A fund is an accounting entity with a self-balancing set of accounts that the City uses to keep track of resources that have been segregated for specific activities or objectives. In addition, while some funds are required to be established by State law and by bond covenants, management has also established other funds to help control and manage money for particular purposes or to show that the legal responsibilities for using certain taxes, grants, and other resources are being met. The City's two types of funds are governmental and proprietary.

- **Governmental funds** – Most of the City's basic services are included in governmental funds, which are used to account for *short-term* inflows and outflows of spendable resources, and the remaining year end balances 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. Governmental fund information helps determine the financial resources available to finance the City's programs. Due to the fact that this information does not encompass the additional long-term focus of the government-wide statements, the differences 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 and financial statements, like the government-wide statements, provide both long-term and short-term financial information.
 - **Enterprise funds** are used to report the same functions presented as business-type activities in the government-wide financial statements.
 - **Internal service funds** report activities that provide services for the City's other programs and activities such as the City's Insurance, Fleet Maintenance, Information Systems and Utility Billing Services.
- **Fiduciary funds** – 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 \$222.25 million at June 30, 2010. 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.

NET ASSETS

Net assets represent the difference between the City's resources and its obligations. Over time, net assets may serve as an indication of a government's financial position. The City's combined net assets for FY10 were \$222.25 million.

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 total Net Assets reflected in Table 1 include both Changes in Net Assets and the Restatements of Net Assets.

Table 1 – Summary of Net Assets (In Millions)

	Governmental Activities		Business Type Activities		Totals		TOT % CHG
	2009	2010	2009	2010	2009	2010	
Current and other assets	73.34	54.49	101.55	100.10	174.89	154.59	-11.6%
Capital assets	100.42	104.27	105.01	109.67	205.43	213.94	4.1%
TOTAL ASSETS	\$ 173.76	\$ 158.76	\$ 206.56	\$ 209.77	\$ 380.32	\$ 368.53	-3.1%
Long-term liabilities							
outstanding	48.11	48.25	89.56	87.84	137.67	136.09	-1.1%
Other liabilities	5.30	3.71	5.38	6.48	10.58	10.19	-3.7%
TOTAL LIABILITIES	\$ 53.41	\$ 51.96	\$ 94.94	\$ 94.32	\$ 148.25	\$ 146.28	-1.3%
Net assets:							
Invested in capital assets							
net of related debt	84.08	76.92	55.25	56.10	139.33	133.02	-4.5%
Restricted for:							
Public Safety	0.56	0.46	-	-	0.56	0.46	-17.9%
Public Works	2.39	2.67	-	-	2.39	2.67	11.7%
Capital Projects	23.42	17.74	33.74	28.01	57.16	45.75	-20.0%
Debt Service	1.83	2.20	5.66	5.67	7.49	7.87	5.1%
Other Purpose	0.09	0.09	-	-	0.09	0.09	0.0%
Unrestricted	7.98	6.72	16.97	25.67	24.95	32.39	29.8%
TOTAL NET ASSETS	\$ 120.35	\$ 106.80	\$ 111.62	\$ 115.45	\$ 231.97	\$ 222.25	-4.2%

CHANGES IN NET ASSETS

The combined net assets of the primary government decreased by \$10.5 million this fiscal year – from \$231.97 million in FY09 to \$222.25 million in FY10. It should be noted that the Net Asset total of \$222.25 million for the primary government includes a Restatement of Net Assets which does not affect the *actual* change in net assets from the previous fiscal year. “Net assets” represents the difference between the City resources (total assets) and its obligations (total liabilities).

REVENUES

The combined revenues for FY10 were \$66.91 million of which \$21.94 million is from Governmental Activities, and \$44.97 million is from Business Type Activities. Compared to FY09, total revenues decreased \$7.83 million from \$74.74 million. Table 2 provides information on the major revenue sources and comparisons between the current and prior fiscal year.

Chart 2 – Sources of Revenue

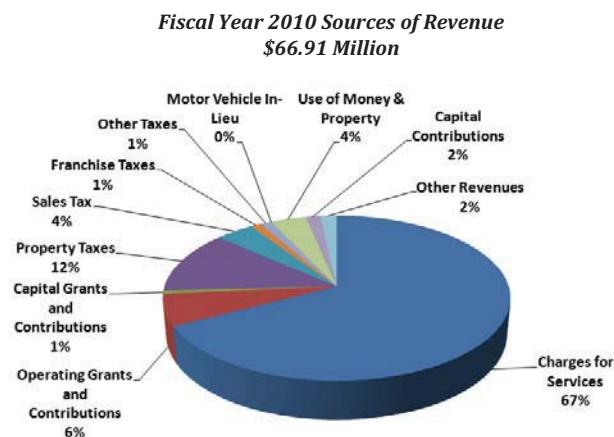


Table 2 – Sources of Revenue (In Millions)

Revenues:	2009	2010	Increase / (Decrease)	Change %
Program Revenues:				
Charges for services	44.48	45.05	0.57	1.3%
Operating grants and contributions	8.49	4.17	(4.32)	-50.9%
Capital grants and contributions	1.12	0.40	(0.72)	-64.3%
General Revenues:	-	-	-	-
Property taxes	9.52	8.28	(1.24)	-13.0%
Sales tax	3.02	2.72	(0.30)	-9.9%
Franchise Taxes	0.82	0.75	(0.07)	-8.5%
Other taxes	0.67	0.77	0.10	14.9%
Motor Vehicle In-Lieu	0.09	0.06	(0.03)	-33.3%
Use of Money & Property	4.11	2.52	(1.59)	-38.7%
Capital Contributions	-	1.05	1.05	
Other Revenues	2.42	1.14	(1.28)	-52.9%
TOTAL REVENUES	\$ 74.74	\$ 66.91	\$ (7.83)	-10.5%

EXPENSES

The Expenses of the City totaled \$77.41 million, an increase of 7% over FY09 (see Table 3). The Governmental Activities totaled \$29.28 million, or 38% of total expenses. Governmental activities are grouped by functional activity. General Government includes Administration, City Clerk, City Treasurer, Finance, Human Resources, Public Safety and certain Redevelopment Agency functions. Public Safety includes Police and Fire services.

Business Activities totaled \$48.13 million, an increase of 10% over FY09, which accounts for 62% of total expenses. Business type activities are also grouped by functional activity. These typically represent activities performed in exchange for a fee.

Chart 3 – Functional Expenses

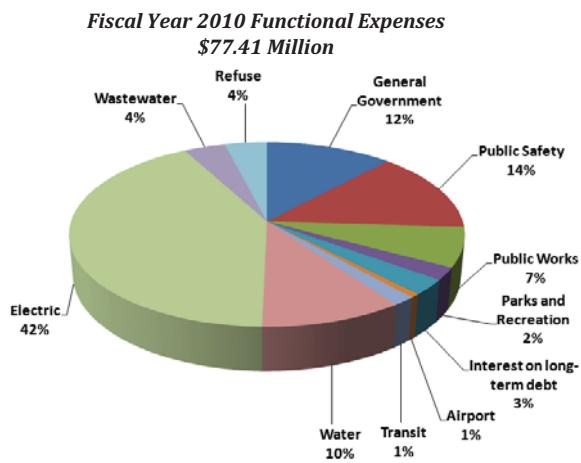


Table 3 – Functional Expenses (in Millions)

Expenses:	2009	2010	Increase / (Decrease)	Change %
Governmental Activities				
General Government	6.85	9.21	2.36	34.5%
Public Safety	11.60	10.87	(0.73)	-6.3%
Public Works	6.47	5.38	(1.09)	-16.8%
Parks and Recreation	1.49	1.68	0.19	12.8%
Interest on long-term debt	2.19	2.14	(0.05)	-2.3%
Government Subtotal	28.60	29.28	0.68	2.4%
Business Type Activities				
Airport	0.10	0.50	0.40	400.0%
Transit	1.43	1.25	(0.18)	-12.6%
Water	7.61	7.94	0.33	4.3%
Electric	28.30	32.38	4.08	14.4%
Wastewater	3.32	3.01	(0.31)	-9.3%
Refuse	3.07	3.05	(0.02)	-0.7%
Buisness Subtotal	43.83	48.13	4.30	9.8%
TOTAL EXPENSES	\$ 72.43	\$ 77.41	4.98	6.9%

GOVERNMENTAL ACTIVITIES

Most of the City's basic services are classified as Governmental activities, such as public safety, public works, parks and recreation, and general government. Governmental activities are financed by taxes, revenues from other government agencies, state/federal grants, and charges for services. 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 4).

Chart 4 – Governmental Activities Program Revenue & Expenses

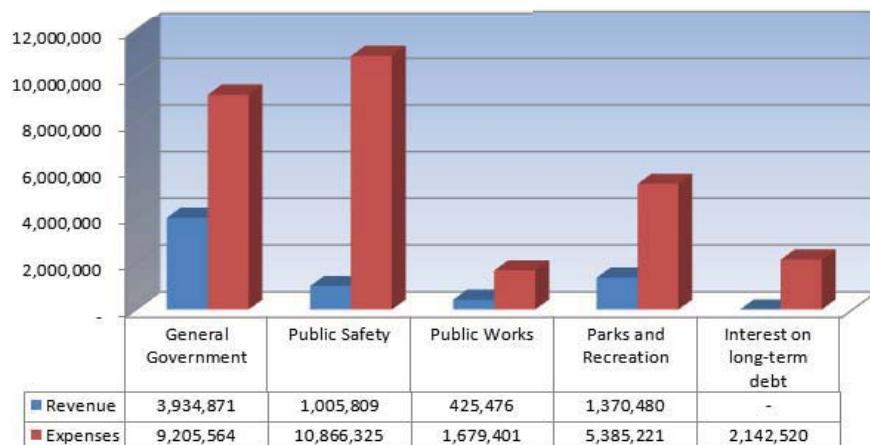


Table 4 – Program Net Cost: Governmental Activities

	Program Revenues			Total Cost of Services			Net Revenues (Expenses)		
	2009	2010	% Chg	2009	2010	% Chg	2009	2010	% Chg
General Government	5,643,081	3,934,871	-30%	6,849,047	9,205,564	34%	(1,205,966)	(5,270,693)	337%
Public Safety	2,107,349	1,005,809	-52%	11,595,346	10,866,325	-6%	(9,487,997)	(9,860,516)	4%
Public Works	242,615	425,476	75%	1,492,798	1,679,401	13%	(1,250,183)	(1,253,925)	0%
Parks and Recreation	2,367,815	1,370,480	-42%	6,467,587	5,385,221	-17%	(4,099,772)	(4,014,741)	-2%
Interest on long-term debt	-	-	0%	2,193,202	2,142,520	-2%	(2,193,202)	(2,142,520)	-2%
Government Subtotal	10,360,860	6,736,636	-35%	28,597,980	29,279,031	2%	(18,237,120)	(22,542,395)	24%
General Revenues	17,439,190	15,206,876	-13%	-	-	0%	17,439,190	15,206,876	-13%
TOTAL	27,800,050	21,943,512	-21%	28,597,980	29,279,031	2%	(797,930)	(7,335,519)	819%

BUSINESS-TYPE ACTIVITIES

Certain services provided by the City are funded by customer fees. The following represents 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 5).

Chart 5 –Business-Type Activities Program Revenue & Expenses

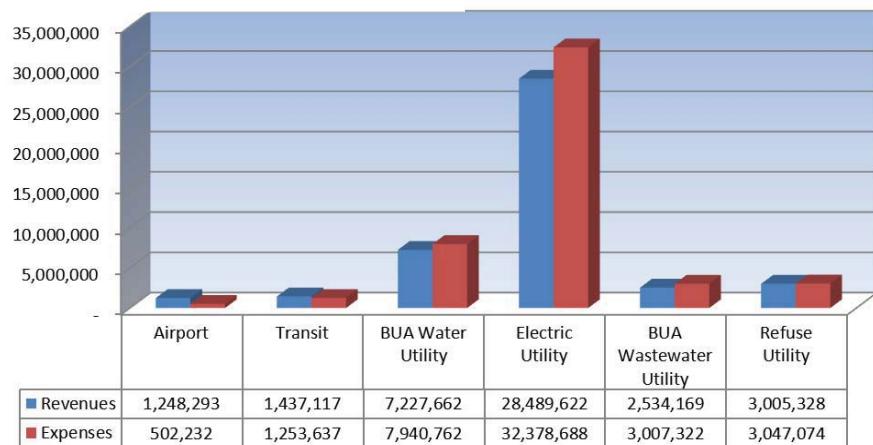


Table 5 – Program Net Cost: Business-Type Activities

	Program Revenues			Total Cost of Services			Net Revenues (Expenses)		
	2009	2010	% Chg	2009	2010	% Chg	2009	2010	% Chg
Airport	311,012	1,248,293	301%	100,812	502,232	398%	210,200	746,061	255%
Transit	1,267,180	1,437,117	13%	1,426,907	1,253,637	-12%	(159,727)	183,480	-215%
BUA Water Utility	8,972,035	7,227,662	-19%	7,613,339	7,940,762	4%	1,358,696	(713,100)	-152%
Electric Utility	27,394,416	28,489,622	4%	28,297,126	32,378,688	14%	(902,710)	(3,889,066)	331%
BUA Wastewater Utility	2,654,836	2,534,169	-5%	3,320,845	3,007,322	-9%	(666,009)	(473,153)	-29%
Refuse Utility	3,127,595	3,005,328	-4%	3,073,742	3,047,074	-1%	53,853	(41,746)	-178%
Buisness Subtotal	43,727,074	43,942,191	0%	43,832,771	48,129,715	10%	(105,697)	(4,187,524)	3862%
General Revenues	3,218,651	1,027,074	-68%	-	-	0%	3,218,651	1,027,074	-68%
TOTAL	46,945,725	44,969,265	-4%	43,832,771	48,129,715	10%	3,112,954	(3,160,450)	-202%

FINANCIAL ANALYSIS OF THE FUND STATEMENTS

The City uses fund accounting to assure and demonstrate compliance with finance-related legal requirements. The fund financial statements focus on individual parts of the City government, reporting the city's operations in more detail than the government-wide statements. The types of Governmental funds reported by the City include the General Fund, Special Revenue Funds, Capital Project Funds, and Internal Service Funds. The fund statements provide information on near-term inflows, outflows and balances of spendable resources. These funds represent the reporting structure of the budget and interim council reports.

THE CITY'S FUNDS

The city's governmental funds reported combined fund balances at June 30, 2010 of \$42.28 million, which is a decrease of \$18.86 million over the previous fiscal year. Approximately 67.93% of this amount (\$28.72) constitutes unreserved fund balance, which is available for spending at the government's discretion based on the purpose for which it was received. However, \$1.28 million of this amount has been designated by Council for General Fund contingencies (working capital), \$11.92 million for capital projects through the Redevelopment Agency (CRA) and \$3.61 million for CRA housing projects.

The remainder of the fund balance is reserved for the following purposes:

- Reserved for encumbrances: \$1.80 million (used to liquidate existing contracts and purchase orders)
- Reserved for Loans receivables: \$1.11 million (primarily in the Redevelopment Agency fund)
- Reserved for property held for resale: \$8.73 million (land held in the Redevelopment Agency funds that will be sold in the future)

GENERAL FUND BUDGETARY HIGHLIGHTS

Throughout the year, with the recommendation from the City's staff, the City Council revised the City budget several times. The Amended Budget differs from the Adopted Budget in that it contains carry-forward appropriations and revenues for various projects, supplemental revenues, carry-forward appropriations for open purchase orders from the previous year, and appropriations approved by City Council throughout the year. 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 \$19.12 million were \$0.37 million less than the final budgeted revenues of \$19.49 million. The most significant variances were in property and sales taxes, which were budgeted to be \$4.42 million and \$2.15 million, respectively; however, the actuals were \$4.26 million and \$1.99 million. The other significant variance was in other intergovernmental revenues. In this category, the City budgeted a total of \$0.53 million, and the actual was \$0.42 million.

The general fund actual ending expenditures of \$13.93 million were \$1.18 million less than the final budget of \$15.11 million. Some expenditures originally anticipated for did not occur in FY10 but will be reflected in the 2011 report. There were significant changes in the original budget compared to the final budget during the year. The original expenditure budget was \$13.77 million compared to the final budget of \$15.11 million, a \$1.34 million increase.

Even though the City's general fund appropriations increased by \$1.34 million to \$15.11 million, mainly due to the carryover of continuing appropriations as well as grants secured throughout the year, final expenditures were only \$13.93 million. The City's general fund showed a net increase in fund balance of \$0.13 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2010, the City had \$213.94 million invested in a broad range of capital assets (See Table 6).

Table 6 – Capital Assets By Activity

	Governmental Activities			Business-Type Activities			Totals		
	2009	2010	% Chg	2009	2010	% Chg	2009	2010	% Chg
Land	3,093,600	3,093,600	0%	1,184,229	1,184,229	0%	4,277,829	4,277,829	0%
Construction in Progress	10,898,744	1,502,911	-86%	8,990,658	1,993,013	-78%	19,889,402	3,495,924	-82%
Building and Structures	3,560,718	16,820,856	372%	153,490	146,937	-4%	3,714,208	16,967,793	357%
Improvements	5,069,826	5,842,977	15%	1,030,149	1,972,224	91%	6,099,975	7,815,201	28%
Machinery and Equipment	408,943	1,662,198	306%	13,112	9,178	-30%	422,055	1,671,376	296%
Vehicles	1,114,059	1,093,272	-2%	-	-	0%	1,114,059	1,093,272	-2%
Utility Plant	-	-	0%	93,641,777	104,368,089	11%	93,641,777	104,368,089	11%
Infrastructure	76,269,532	74,251,957	-3%	-	-	0%	76,269,532	74,251,957	-3%
TOTAL	100,415,422	104,267,771	4%	105,013,415	109,673,670	4%	205,428,837	213,941,441	4%

As presented in the Adopted Budget for Fiscal Year 2009-10, the CIP totals \$8.15 million for all categories of the capital improvement projects reported by the various City departments. The amount of the adopted projects reflect a \$9.87 million decrease over the previous fiscal year's Adopted Capital Budget of \$18.02 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 \$49.04 million in bonds, loans, advances, leases, and compensated absences outstanding while the business-type activities had \$86.74 million in debt (see Table 7).

Table 7 – Debt Recap By Activity

	Governmental Activities			Business-Type Activities			Totals		
	2009	2010	% Chg	2009	2010	% Chg	2009	2010	% Chg
Compensated Absences	1,330,380	1,200,678	-10%	395,712	567,030	43%	1,726,092	1,767,708	2%
Tax Allocation Bonds	42,200,000	41,555,000	-2%	-	-	0%	42,200,000	41,555,000	-2%
Certificates of Participation	4,485,000	4,210,000	-6%	-	-	0%	4,485,000	4,210,000	-6%
Revenue Bonds	-	-	0%	84,960,000	83,290,000	-2%	84,960,000	83,290,000	-2%
Claims & Judgements	727,682	903,988	24%	-	-	0%	727,682	903,988	24%
Loans	185,061	1,171,566	533%	3,102,506	2,878,883	0%	3,287,567	4,050,449	23%
TOTAL	48,928,123	49,041,232	0%	88,458,218	86,735,913	-2%	137,386,341	135,777,145	-1%

During fiscal year ended June 30, 2010, the City paid \$0.65 million toward Redevelopment Tax Allocation Bonds and \$0.28 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 BUDGET

As the recession continues, the Nation, State of California and the City of Banning must deal with the burden of declining revenues and rising service costs. Within this M, D & A, are tables that illustrate the decreases in critical revenues such as property and sales taxes, investments income (use of money), and grants.

Total Assets decreased by \$11.79 million. This decrease reflects the use of bond funds received in prior years and use of existing fund balances in order to meet capital and service needs in FY10. Total Liabilities decreased by \$1.97 million, which is a net reduction in debt owed by the City. Overall, the City's financial condition shows a reduction in Net Assets of \$9.72 million.

In preparing the budget for 2011, 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 included the following:

- The State's fiscal problems did not result in any City revenue reductions for 2011.
- The downturn in the housing market continues to have an adverse impact on various City revenues.
- Sales Tax revenue did not include any growth but rather a decline.
- Property Tax revenue did not include any growth but rather a decline.
- Investment revenues included a decline.
- Development related revenues continued to be lower than the prior year levels due to reduced activity.
- At the time the budget was prepared, the City was unaware of any court decisions, state legislative actions, propositions, initiatives, or other actions beyond the City's control that would adversely affect its revenues and expenditures. At the time of finalizing this report, the newly elected governor of the State of California has proposed a budget plan that would eliminate or significantly impact the functions of the Redevelopment Agency. These actions, if approved, will impact the fiscal year 2011-12 budget.

The General Fund 2010-11 Expenditure Budget of \$12.81 million is approximately \$2.26 million lower than the Final Amended Budget for Fiscal Year 2009-10. 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 20 FTE's and cuts to non-payroll operating expenditures. In addition, there is also the absence of one-time expenditures and major capital projects in the adopted 2010-11 budget.

The Operating Budget for Fiscal Year 2010-11 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.

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, 2010

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and investments	\$ 27,250,382	\$ 45,309,591	\$ 72,559,973
Receivables:			
Accounts	518,151	6,259,220	6,777,371
Contract and notes	5,243,408	12,376	5,255,784
Accrued interest	59,274	99,786	159,060
Internal balances	(8,315,764)	8,315,764	-
Deposits	-	894,109	894,109
Due from other governments	2,131,531	163,874	2,295,405
Inventories	83,333	2,170,888	2,254,221
Unamortized debt issuance costs	1,352,243	1,800,748	3,152,991
Land held for resale	8,726,391	-	8,726,391
Restricted assets:			
Cash and investments	-	1,385,320	1,385,320
Cash with fiscal agent	17,438,891	33,684,049	51,122,940
Capital assets not being depreciated	4,596,511	3,177,242	7,773,753
Capital assets, net of depreciation	99,671,260	106,496,428	206,167,688
Total Assets	158,755,611	209,769,395	368,525,006
Liabilities:			
Accounts payable	1,534,269	4,040,963	5,575,232
Accrued liabilities	340,952	214,230	555,182
Accrued interest	784,941	546,038	1,330,979
Unearned revenue	-	1,025,767	1,025,767
Deposits payable	532,899	658,822	1,191,721
Due to other governments	521,838	-	521,838
Noncurrent liabilities:			
Due within one year	1,972,726	2,026,402	3,999,128
Due in more than one year	46,277,131	85,812,006	132,089,137
Total Liabilities	51,964,756	94,324,228	146,288,984
Net Assets:			
Invested in capital assets, net of related debt	76,913,714	56,086,341	133,000,055
Restricted for:			
Public safety	457,347	-	457,347
Public works	2,673,208	-	2,673,208
Capital projects	17,729,790	28,009,929	45,739,719
Debt service	2,201,516	5,674,120	7,875,636
Parks and recreation	91,919	-	91,919
Unrestricted	6,723,361	25,674,777	32,398,138
Total Net Assets	\$ 106,790,855	\$ 115,445,167	\$ 222,236,022

CITY OF BANNING

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

	Expenses	Program Revenues			
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	
Primary Government:					
Governmental Activities:					
General government	\$ 9,205,564	\$ 2,778,843	\$ 1,156,028	\$ -	
Public safety	10,866,325	206,590	799,219	-	
Parks and recreation	1,679,401	67,135	133,537	224,804	
Public works	5,385,221	448,489	744,258	177,733	
Interest on long-term debt	2,142,520	-	-	-	
Total Governmental Activities	29,279,031	3,501,057	2,833,042	402,537	
Business-Type Activities:					
Airport	502,232	194,719	-	1,053,574	
Transit	1,253,637	124,106	1,313,011	-	
BUA Water Utility	7,940,762	7,227,662	-	-	
Electric Utility	32,378,688	28,489,622	-	-	
BUA Wastewater Utility	3,007,322	2,534,169	-	-	
Refuse Utility	3,047,074	2,977,562	27,766	-	
Total Business-Type Activities	48,129,715	41,547,840	1,340,777	1,053,574	
Total Primary Government	\$ 77,408,746	\$ 45,048,897	\$ 4,173,819	\$ 1,456,111	
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					
Gain on sale of capital asset					
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
\$ (5,270,693)	\$ -	\$ (5,270,693)
(9,860,516)	-	(9,860,516)
(1,253,925)	-	(1,253,925)
(4,014,741)	-	(4,014,741)
(2,142,520)	-	(2,142,520)
(22,542,395)	-	(22,542,395)
- 746,061		746,061
- 183,480		183,480
- (713,100)		(713,100)
- (3,889,066)		(3,889,066)
- (473,153)		(473,153)
- (41,746)		(41,746)
- (4,187,524)		(4,187,524)
(22,542,395)	(4,187,524)	(26,729,919)
8,278,865	-	8,278,865
340,047	-	340,047
2,719,295	-	2,719,295
755,797	-	755,797
148,192	-	148,192
276,965	-	276,965
62,365	-	62,365
1,355,365	1,161,384	2,516,749
564,572	556,127	1,120,699
-	14,976	14,976
705,413	(705,413)	-
15,206,876	1,027,074	16,233,950
(7,335,519)	(3,160,450)	(10,495,969)
120,347,651	111,609,963	231,957,614
(6,221,277)	6,995,654	774,377
\$ 106,790,855	\$ 115,445,167	\$ 222,236,022

CITY OF BANNING

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	Capital Projects Funds		
	General	Capital Improvement	Redevelopment Agency
Assets:			
Pooled cash and investments	\$ 3,362,479	\$ -	\$ 12,431,358
Receivables:			
Accounts	474,110	-	343
Loans	31,529	-	5,211,015
Interest	14,964	-	25,845
Due from other governments	1,251,655	-	-
Due from other funds	2,350,551	-	-
Advances to other funds	-	-	1,906,018
Land held for resale	-	-	8,726,391
Restricted assets:			
Cash and investments with fiscal agents	-	2,101,870	11,907,286
Total Assets	\$ 7,485,288	\$ 2,101,870	\$ 40,208,256
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	\$ 335,502	\$ 52,123	\$ 282,082
Accrued liabilities	215,463	-	33,305
Deferred revenues	459,188	-	4,130,487
Deposits payable	366,617	-	67,702
Due to other governments	521,838	-	-
Due to other funds	-	1,350,551	-
Advances from other funds	395,118	-	7,000,000
Total Liabilities	2,293,726	1,402,674	11,513,576
Fund Balances:			
Reserved:			
Reserved for encumbrances	79,665	19,294	1,443,722
Reserved for land held for resale	-	-	8,726,391
Reserved for loans receivable	31,529	-	1,080,528
Reserved for advances to other funds	-	-	1,906,018
Reserved for special donations	-	-	-
Unreserved:			
Unreserved, reported in nonmajor:			
Special revenue funds	-	-	-
Capital projects funds	-	-	-
Designated for capital projects	-	-	11,916,618
Designated for low and moderate housing	-	-	3,611,403
Designated for debt service	-	-	-
Designated for compensated absences	476,527	-	-
Designated for working capital	1,280,607	-	-
Designated for RBEG grant program	-	-	10,000
Designated for continuing appropriations	225,833	-	-
Undesignated	3,097,401	679,902	-
Total Fund Balances	5,191,562	699,196	28,694,680
Total Liabilities and Fund Balances	\$ 7,485,288	\$ 2,101,870	\$ 40,208,256

CITY OF BANNING

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	Debt Service Fund			Total Governmental Funds
	Redevelopment Agency	Other Governmental Funds		
Assets:				
Pooled cash and investments	\$ 2,375,600	\$ 5,412,672	\$	23,582,109
Receivables:				
Accounts	-	200		474,653
Loans	-	464		5,243,008
Interest	3,744	11,044		55,597
Due from other governments	56,719	822,696		2,131,070
Due from other funds	-	-		2,350,551
Advances to other funds	-	-		1,906,018
Land held for resale	-	-		8,726,391
Restricted assets:				
Cash and investments with fiscal agents	3,429,735	-		17,438,891
Total Assets	\$ 5,865,798	\$ 6,247,076	\$	61,908,288
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 510,344	\$ 196,600	\$	1,376,651
Accrued liabilities	-	40,889		289,657
Deferred revenues	-	120,405		4,710,080
Deposits payable	-	97,652		531,971
Due to other governments	-	-		521,838
Due to other funds	1,000,000	299,691		2,650,242
Advances from other funds	2,153,938	-		9,549,056
Total Liabilities	3,664,282	755,237	\$	19,629,495
Fund Balances:				
Reserved:				
Reserved for encumbrances	-	254,465		1,797,146
Reserved for land held for resale	-	-		8,726,391
Reserved for loans receivable	-	464		1,112,521
Reserved for advances to other funds	-	-		1,906,018
Reserved for special donations	-	20,045		20,045
Unreserved:				
Unreserved, reported in nonmajor:				
Special revenue funds	-	3,241,489		3,241,489
Capital projects funds	-	1,975,376		1,975,376
Designated for capital projects	-	-		11,916,618
Designated for low and moderate housing	-	-		3,611,403
Designated for debt service	2,201,516	-		2,201,516
Designated for compensated absences	-	-		476,527
Designated for working capital	-	-		1,280,607
Designated for RBEG grant program	-	-		10,000
Designated for continuing appropriations	-	-		225,833
Undesignated	-	-		3,777,303
Total Fund Balances	2,201,516	5,491,839	\$	42,278,793
Total Liabilities and Fund Balances	\$ 5,865,798	\$ 6,247,076	\$	61,908,288

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CITY OF BANNING**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010**

Fund balances of governmental funds	\$ 42,278,793
Capital assets net of depreciation have not been included as financial resources in governmental fund activity.	103,841,908
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	(46,145,191)
Compensated absences	(1,102,267)
Accrued interest payable for the current portion of interest due on long-term liabilities has not been reported in the governmental funds.	(784,941)
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.	4,710,080
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>2,640,230</u>
Net assets of governmental activities	<u>\$ 106,790,855</u>

CITY OF BANNING

**STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010**

	Capital Projects Funds		
	General	Capital Improvement	Redevelopment Agency
Revenues:			
Taxes	\$ 7,634,212	\$ -	\$ 1,015,191
Licenses and permits	171,010	-	-
Intergovernmental	484,908	-	-
Charges for services	2,939,090	-	-
Use of money and property	97,051	31,793	506,338
Fines and forfeitures	339,797	-	-
Miscellaneous	291,174	-	20,505
Total Revenues	11,957,242	31,793	1,542,034
Expenditures:			
Current:			
General government	1,825,908	-	3,731,336
Public safety	9,343,795	111,104	-
Parks and recreation	861,840	-	-
Public works	1,134,852	-	-
Capital outlay	506,582	6,923,687	560,867
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total Expenditures	13,672,977	7,034,791	4,292,203
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,715,735)	(7,002,998)	(2,750,169)
Other Financing Sources (Uses):			
Transfers in	2,097,000	-	1,779,215
Transfers out	(257,735)	(1,250,000)	(192,888)
Other debts issued	-	-	1,020,000
Loss on sale of land held for resale	-	-	(1,521,057)
Proceeds from sale of capital assets	2,688	-	-
Total Other Financing Sources (Uses)	1,841,953	(1,250,000)	1,085,270
Net Change in Fund Balances	126,218	(8,252,998)	(1,664,899)
Fund Balances, Beginning of Year, as previously reported	5,065,344	8,952,194	36,580,856
Restatements	-	-	(6,221,277)
Fund Balances, Beginning of Year, as restated	5,065,344	8,952,194	30,359,579
Fund Balances, End of Year	\$ 5,191,562	\$ 699,196	\$ 28,694,680

CITY OF BANNING

**STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010**

	Debt Service Fund			Total Governmental Funds
	Redevelopment Agency	Other Governmental Funds		
Revenues:				
Taxes	\$ 2,967,986	\$ 682,105	\$ 12,299,494	
Licenses and permits	-	-	171,010	
Intergovernmental	-	1,747,242	2,232,150	
Charges for services	-	241	2,939,331	
Use of money and property	592,900	54,787	1,282,869	
Fines and forfeitures	-	-	339,797	
Miscellaneous	-	41,886	353,565	
Total Revenues	3,560,886	2,526,261	19,618,216	
Expenditures:				
Current:				
General government	1,956,921	-	7,514,165	
Public safety	-	468,565	9,923,464	
Parks and recreation	-	435,058	1,296,898	
Public works	-	905,907	2,040,759	
Capital outlay	-	619,265	8,610,401	
Debt service:				
Principal retirement	953,495	-	953,495	
Interest and fiscal charges	2,125,480	-	2,125,480	
Total Expenditures	5,035,896	2,428,795	32,464,662	
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,475,010)	97,466	(12,846,446)	
Other Financing Sources (Uses):				
Transfers in	192,888	461,222	4,530,325	
Transfers out	(1,739,117)	(385,172)	(3,824,912)	
Other debts issued	-	-	1,020,000	
Loss on sale of land held for resale	-	-	(1,521,057)	
Proceeds from sale of capital assets	-	-	2,688	
Total Other Financing Sources (Uses)	(1,546,229)	76,050	207,044	
Net Change in Fund Balances	(3,021,239)	173,516	(12,639,402)	
Fund Balances, Beginning of Year, as previously reported	5,222,755	5,318,323	61,139,472	
Restatements	-	-	(6,221,277)	
Fund Balances, Beginning of Year, as restated	5,222,755	5,318,323	54,918,195	
Fund Balances, End of Year	\$ 2,201,516	\$ 5,491,839	\$ 42,278,793	

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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, 2010**

Net change in fund balances - total governmental funds	\$ (12,639,402)
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.	3,910,422
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.	(94,965)
Accrued interest for long-term liabilities. This is the net change in accrued interest for the current period.	11,420
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.	104,765
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.	1,361,247
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.	10,994
Change in net assets of governmental activities	\$ (7,335,519)

CITY OF BANNING

BUDGETARY COMPARISON STATEMENT
GENERAL FUND
YEAR ENDED JUNE 30, 2010

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Budgetary Fund Balance, July 1	\$ 5,065,344	\$ 5,065,344	\$ 5,065,344	\$ -
Resources (Inflows):				
Taxes:				
Sales and use	2,346,001	2,145,484	1,993,985	(151,499)
Property	4,388,000	4,421,800	4,263,611	(158,189)
Franchise	786,491	776,491	755,797	(20,694)
Transient occupancy	278,000	278,000	340,047	62,047
Other	345,418	363,521	280,772	(82,749)
Subtotal	8,143,910	7,985,296	7,634,212	(351,084)
Licenses and permits:				
Building permits	85,000	85,000	52,460	(32,540)
Other permits	70,758	93,548	118,550	25,002
Subtotal	155,758	178,548	171,010	(7,538)
Intergovernmental:				
State motor vehicle in-lieu fees	50,000	50,000	62,365	12,365
Other intergovernmental revenues	60,400	530,786	422,543	(108,243)
Subtotal	110,400	580,786	484,908	(95,878)
Charges for services:				
Engineering, police, fire and other fees	378,833	389,568	441,476	51,908
Recreation fees	57,550	56,550	58,568	2,018
Interfund charges	2,712,500	2,411,500	2,439,046	27,546
Subtotal	3,148,883	2,857,618	2,939,090	81,472
Use of money and property:				
Interest and rents	302,400	133,360	97,051	(36,309)
Subtotal	302,400	133,360	97,051	(36,309)
Fines and forfeitures				
Parking fines	11,000	12,000	13,148	1,148
Court fines and other fines	316,000	302,700	326,649	23,949
Subtotal	327,000	314,700	339,797	25,097
Miscellaneous	304,601	279,317	291,174	11,857
Transfers in	450,000	2,097,000	2,097,000	-
Gain on disposal of capital assets	-	-	2,688	2,688
Amounts Available for Appropriation	18,008,296	19,491,969	19,122,274	(369,695)

CITY OF BANNING

BUDGETARY COMPARISON STATEMENT
GENERAL FUND
YEAR ENDED JUNE 30, 2010

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Charges to Appropriation (Outflow):				
General government				
City council	147,246	147,246	140,035	7,211
City manager	147,376	306,106	257,804	48,302
Personnel	179,099	190,899	129,645	61,254
City clerk	82,450	85,550	73,047	12,503
Elections	35,200	13,400	12,893	507
City attorney	221,000	221,000	116,258	104,742
Finance	134,801	108,859	37,592	71,267
Community enhancement	75,456	75,456	74,902	554
Central services	1,013,122	1,013,122	983,732	29,390
Subtotal	2,035,750	2,161,638	1,825,908	335,730
Public safety				
Police	6,578,423	6,996,075	6,676,744	319,331
Animal control	242,000	342,000	267,667	74,333
Fire	2,487,399	2,592,797	2,399,384	193,413
Subtotal	9,307,822	9,930,872	9,343,795	587,077
Parks and recreation				
Parks	364,284	356,684	350,164	6,520
Recreation	489,034	520,633	511,676	8,957
Subtotal	853,318	877,317	861,840	15,477
Public works				
Building safety	499,869	499,869	477,552	22,317
Planning	251,578	321,582	225,212	96,370
Engineering	401,918	359,699	307,536	52,163
Building maintenance	162,227	154,228	124,552	29,676
Subtotal	1,315,592	1,335,378	1,134,852	200,526
Capital outlay	-	549,432	506,582	42,850
Transfers out	257,735	257,735	257,735	-
Total Charges to Appropriations	13,770,217	15,112,372	13,930,712	1,181,660
Budgetary Fund Balance, June 30	\$ 4,238,079	\$ 4,379,597	\$ 5,191,562	\$ 811,965

CITY OF BANNING

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010

	Business-Type Activities - Enterprise Funds		
	Banning Utility		
	Banning Utility Authority Water	Electric Utility	Authority Wastewater
Assets:			
Current:			
Cash and investments	\$ 9,288,320	\$ 21,291,948	\$ 13,123,974
Receivables:			
Accounts	1,142,977	4,256,431	403,546
Loans	2,598	5,052	833
Interest	20,874	47,276	28,407
Due from other governments	-	-	-
Due from other funds	-	-	299,691
Inventories	399,143	1,736,750	-
Deposits with other agencies	-	894,109	-
Restricted:			
Cash and investments	-	1,385,320	-
Cash with fiscal agent	5,834,004	24,036,838	3,813,207
Total Current Assets	16,687,916	53,653,724	17,669,658
Noncurrent:			
Unamortized debt issuance costs	800,761	745,091	254,896
Advances to other funds	2,421,000	5,222,038	-
Capital assets - net of accumulated depreciation	51,025,684	39,153,799	16,576,320
Total Noncurrent Assets	54,247,445	45,120,928	16,831,216
Total Assets	\$ 70,935,361	\$ 98,774,652	\$ 34,500,874
Liabilities and Net Assets:			
Liabilities:			
Current:			
Accounts payable	\$ 1,779,383	\$ 1,604,520	\$ 130,521
Accrued liabilities	50,580	104,412	21,967
Accrued interest	270,356	181,199	94,483
Unearned revenues	-	-	-
Deposits payable	130,913	348,690	77,775
Compensated absences	34,726	-	16,302
Claims and judgments	-	-	-
Bonds, notes, and loans payable	685,000	785,000	494,438
Total Current Liabilities	2,950,958	3,023,821	835,486
Noncurrent:			
Compensated absences	80,657	260,295	79,263
Claims and judgments	-	-	-
Bonds, notes, and loans payable	33,119,064	44,053,495	8,134,381
Total Noncurrent Liabilities	33,199,721	44,313,790	8,213,644
Total Liabilities	36,150,679	47,337,611	9,049,130
Net Assets:			
Invested in capital assets, net of related debt	23,055,624	18,352,142	11,760,708
Restricted for capital projects	3,176,434	21,020,288	3,813,207
Restricted for debt service	2,657,570	3,016,550	-
Unrestricted	5,895,054	9,048,061	9,877,829
Total Net Assets	34,784,682	51,437,041	25,451,744
Total Liabilities and Net Assets	\$ 70,935,361	\$ 98,774,652	\$ 34,500,874

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, 2010

	Other Enterprise Funds	Totals	Governmental Activities- Internal Service Funds
Assets:			
Current:			
Cash and investments	\$ 1,605,349	\$ 45,309,591	\$ 3,668,273
Receivables:			
Accounts	456,266	6,259,220	43,498
Loans	3,893	12,376	400
Interest	3,229	99,786	3,677
Due from other governments	163,874	163,874	461
Due from other funds	-	299,691	-
Inventories	34,995	2,170,888	83,333
Deposits with other agencies	-	894,109	-
Restricted:			
Cash and investments	-	1,385,320	-
Cash with fiscal agent	-	33,684,049	-
Total Current Assets	2,267,606	90,278,904	3,799,642
Noncurrent:			
Unamortized debt issuance costs	-	1,800,748	-
Advances to other funds	-	7,643,038	-
Capital assets - net of accumulated depreciation	2,917,867	109,673,670	425,863
Total Noncurrent Assets	2,917,867	119,117,456	425,863
Total Assets	\$ 5,185,473	\$ 209,396,360	\$ 4,225,505
Liabilities and Net Assets:			
Liabilities:			
Current:			
Accounts payable	\$ 526,539	\$ 4,040,963	\$ 157,618
Accrued liabilities	37,271	214,230	51,295
Accrued interest	-	546,038	-
Unearned revenues	1,025,767	1,025,767	-
Deposits payable	101,444	658,822	928
Compensated absences	10,936	61,964	32,327
Claims and judgments	-	-	561,018
Bonds, notes, and loans payable	-	1,964,438	-
Total Current Liabilities	1,701,957	8,512,222	803,186
Noncurrent:			
Compensated absences	84,851	505,066	66,084
Claims and judgments	-	-	342,970
Bonds, notes, and loans payable	-	85,306,940	-
Total Noncurrent Liabilities	84,851	85,812,006	409,054
Total Liabilities	1,786,808	94,324,228	1,212,240
Net Assets:			
Invested in capital assets, net of related debt	2,917,867	56,086,341	425,863
Restricted for capital projects	-	28,009,929	-
Restricted for debt service	-	5,674,120	-
Unrestricted	480,798	25,301,742	2,587,402
Total Net Assets	3,398,665	115,072,132	3,013,265
Total Liabilities and Net Assets	\$ 5,185,473	\$ 209,396,360	\$ 4,225,505
		\$ 115,072,132	
		500,532	
		(127,497)	
		\$ 115,445,167	

CITY OF BANNING

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2010

	Business-Type Activities - Enterprise Funds		
	Banning Utility Authority Water	Electric Utility	Banning Utility Authority Wastewater
Operating Revenues:			
Sales and service charges	\$ 7,225,142	\$ 28,489,357	\$ 2,534,169
Connection fees	2,520	265	-
Total Operating Revenues	7,227,662	28,489,622	2,534,169
Operating Expenses:			
Salaries and benefits	1,296,654	2,533,113	541,862
Supplies and services	3,697,329	6,601,227	1,212,757
Repairs and maintenance	13,550	31,051	20,974
Street lighting costs	-	174,685	-
Power purchased	-	19,135,587	-
Bad debt expense	89,514	288,297	31,001
Insurance premiums	-	-	-
Depreciation expense	1,189,473	1,401,610	808,721
Total Operating Expenses	6,286,520	30,165,570	2,615,315
Operating Income (Loss)	941,142	(1,675,948)	(81,146)
Nonoperating Revenues (Expenses):			
Intergovernmental	-	-	-
Interest revenue	131,203	869,227	147,534
Interest expense	(1,610,763)	(2,213,118)	(347,114)
Miscellaneous	219,736	283,097	46,630
Amortization of bond costs	(43,479)	-	(44,893)
Gain (loss) on disposal of capital assets	8,089	-	5,031
Total Nonoperating Revenues (Expenses)	(1,295,214)	(1,060,794)	(192,812)
Income (Loss) Before Transfers	(354,072)	(2,736,742)	(273,958)
Transfers in	1,250,000	-	-
Transfers out	(1,738,000)	(40,098)	(181,000)
Changes in Net Assets	(842,072)	(2,776,840)	(454,958)
Net Assets:			
Beginning of Year, as previously reported	33,205,754	49,638,181	25,906,702
Restatements	2,421,000	4,575,700	-
Beginning of Fiscal Year, as restated	35,626,754	54,213,881	25,906,702
End of Fiscal Year	\$ 34,784,682	\$ 51,437,041	\$ 25,451,744

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, 2010

	Other Enterprise Funds	Totals	Governmental Activities- Internal Service Funds
Operating Revenues:			
Sales and service charges	\$ 3,296,387	\$ 41,545,055	\$ 4,374,632
Connection fees	-	2,785	-
Total Operating Revenues	3,296,387	41,547,840	4,374,632
Operating Expenses:			
Salaries and benefits	847,043	5,218,672	1,404,601
Supplies and services	3,628,113	15,139,426	2,008,389
Repairs and maintenance	15,269	80,844	191,799
Street lighting costs	-	174,685	-
Power purchased	-	19,135,587	-
Bad debt expense	33,172	441,984	-
Insurance premiums	-	-	1,089,231
Depreciation expense	151,849	3,551,653	58,073
Total Operating Expenses	4,675,446	43,742,851	4,752,093
Operating Income (Loss)	(1,379,059)	(2,195,011)	(377,461)
Nonoperating Revenues (Expenses):			
Intergovernmental	2,394,351	2,394,351	8,982
Interest revenue	13,420	1,161,384	72,496
Interest expense	-	(4,170,995)	-
Miscellaneous	6,664	556,127	177,158
Amortization of bond costs	-	(88,372)	-
Gain (loss) on disposal of capital assets	1,856	14,976	2,322
Total Nonoperating Revenues (Expenses)	2,416,291	(132,529)	260,958
Income (Loss) Before Transfers	1,037,232	(2,327,540)	(116,503)
Transfers in	58,685	1,308,685	-
Transfers out	(55,000)	(2,014,098)	-
Changes in Net Assets	1,040,917	(3,032,953)	(116,503)
Net Assets:			
Beginning of Year, as previously reported	2,358,794	111,109,431	3,129,768
Restatements	(1,046)	6,995,654	-
Beginning of Fiscal Year, as restated	2,357,748	118,105,085	3,129,768
End of Fiscal Year	\$ 3,398,665	\$ 115,072,132	\$ 3,013,265
		\$ (3,032,953)	
		(127,497)	
		\$ (3,160,450)	

CITY OF BANNING

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2010

	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	\$ 7,197,121	\$ 27,873,947	\$ 2,504,618
Cash received from interfund service provided	-	-	-
Cash paid to supplies for goods and services	(4,224,059)	(25,557,446)	(1,269,996)
Cash paid to employees for services	(1,262,590)	(2,519,560)	(493,402)
Cash paid for claims	-	-	-
Operating Activities	1,710,472	(203,059)	741,220
Cash Flows from Non-Capital Financing Activities:			
Cash transfers in	1,250,000	-	-
Cash transfers out	(1,738,000)	(40,098)	(181,000)
Due from other funds	-	-	(244,505)
Repayment of advances	-	34,453	-
Intergovernmental	1,388,600	-	-
Miscellaneous	219,736	283,097	46,630
Net Cash Provided (Used) by Non-Capital Financing Activities	1,120,336	277,452	(378,875)
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(6,083,189)	(747,040)	(91,506)
Principal paid on capital debt	(677,156)	(774,574)	(443,877)
Interest paid on capital debt	(1,626,719)	(2,188,039)	(387,304)
Net Cash Provided (Used) by Capital and Related Financing Activities	(8,387,064)	(3,709,653)	(922,687)
Cash Flows from Investing Activities:			
Interest received	142,581	914,450	164,570
Net Cash Provided (Used) by Investing Activities	142,581	914,450	164,570
Net Increase (Decrease) in Cash and Cash Equivalents	(5,413,675)	(2,720,810)	(395,772)
Cash and Cash Equivalents at Beginning of Year	20,535,999	49,434,916	17,332,953
Cash and Cash Equivalents at End of Year	\$ 15,122,324	\$ 46,714,106	\$ 16,937,181
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 941,142	\$ (1,675,948)	\$ (81,146)
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:			
Depreciation	1,189,473	1,401,610	808,721
(Increase) decrease in accounts receivable	(30,541)	(615,675)	(29,551)
(Increase) decrease in loans receivable	(175)	(920)	(164)
(Increase) decrease in inventories	(13,695)	(113,202)	-
(Increase) decrease in deposits with other agencies	-	376,580	-
Increase (decrease) in accounts payable	(425,691)	361,785	(17,718)
Increase (decrease) in accrued liabilities	(12,737)	(25,449)	(3,693)
Increase (decrease) in deposits payable	15,895	49,158	12,618
Increase (decrease) in unearned revenue	-	-	-
Increase (decrease) in claims and judgments	-	-	-
Increase (decrease) in compensated absences	46,801	39,002	52,153
Total Adjustments	769,330	1,472,889	822,366
Net Cash Provided (Used) by Operating Activities	\$ 1,710,472	\$ (203,059)	\$ 741,220
Non-Cash Investing, Capital, and Financing Activities:			
Gain/(Loss) on disposition of capital assets	\$ 8,089	\$ -	\$ 5,031
Bad debt expense	(89,514)	(288,297)	(31,001)
Amortization of bond costs	(43,479)	-	(44,893)

CITY OF BANNING

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2010

	Other Enterprise Funds	Totals	Governmental Activities- Internal Service Funds
Cash Flows from Operating Activities:			
Cash received from customers and users	\$ 3,299,187	\$ 40,874,873	\$ -
Cash received from interfund service provided	-	-	4,370,450
Cash paid to supplies for goods and services	(2,533,391)	(33,584,892)	(2,124,521)
Cash paid to employees for services	(819,119)	(5,094,671)	(1,447,440)
Cash paid for claims	-	-	(912,925)
Operating Activities	(53,323)	2,195,310	(114,436)
Cash Flows from Non-Capital Financing Activities:			
Cash transfers in	58,685	1,308,685	-
Cash transfers out	(55,000)	(2,014,098)	-
Due from other funds	-	(244,505)	-
Repayment of advances	-	34,453	15,359
Intergovernmental	2,236,972	3,625,572	-
Miscellaneous	6,664	556,127	177,158
Net Cash Provided (Used) by Non-Capital Financing Activities	2,247,321	3,266,234	192,517
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(1,275,198)	(8,196,933)	2,322
Principal paid on capital debt	-	(1,895,607)	-
Interest paid on capital debt	-	(4,202,062)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,275,198)	(14,294,602)	2,322
Cash Flows from Investing Activities:			
Interest received	12,733	1,234,334	75,435
Net Cash Provided (Used) by Investing Activities	12,733	1,234,334	75,435
Net Increase (Decrease) in Cash and Cash Equivalents	931,533	(7,598,724)	155,838
Cash and Cash Equivalents at Beginning of Year	673,816	87,977,684	3,512,435
Cash and Cash Equivalents at End of Year	\$ 1,605,349	\$ 80,378,960	\$ 3,668,273
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ (1,379,059)	\$ (2,195,011)	\$ (377,461)
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:			
Depreciation	151,849	3,551,653	58,073
(Increase) decrease in accounts receivable	2,800	(672,967)	(4,182)
(Increase) decrease in loans receivable	(1,618)	(2,877)	805
(Increase) decrease in inventories	(19,040)	(145,937)	515
(Increase) decrease in deposits with other agencies	-	376,580	-
Increase (decrease) in accounts payable	242,266	160,642	74,347
Increase (decrease) in accrued liabilities	(5,438)	(47,317)	(17,902)
Increase (decrease) in deposits payable	6,130	83,801	-
Increase (decrease) in unearned revenue	915,425	915,425	-
Increase (decrease) in claims and judgments	-	-	176,306
Increase (decrease) in compensated absences	33,362	171,318	(24,937)
Total Adjustments	1,325,736	4,390,321	263,025
Net Cash Provided (Used) by Operating Activities	\$ (53,323)	\$ 2,195,310	\$ (114,436)
Non-Cash Investing, Capital, and Financing Activities:			
Gain/(Loss) on disposition of capital assets	\$ -	\$ 13,120	\$ 2,322
Bad debt expense	(33,172)	(441,984)	-
Amortization of bond costs	-	(88,372)	-

CITY OF BANNING**STATEMENT OF FIDUCIARY NET ASSETS**
FIDUCIARY FUNDS
JUNE 30, 2010

	Agency Funds
Assets:	
Cash and investments	\$ 600,109
Receivables:	
Accrued interest	1,025
Due from other governments	40,527
Restricted assets:	
Cash and investments with fiscal agents	<u>482,560</u>
Total Assets	<u>\$ 1,124,221</u>
Liabilities:	
Accounts payable	\$ 35,077
Deposits payable	44,701
Due to bondholders	<u>1,044,443</u>
Total Liabilities	<u>\$ 1,124,221</u>

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

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) JUNE 30, 2010

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 310 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) JUNE 30, 2010

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.
- 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.

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.

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2010

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

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) JUNE 30, 2010

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.

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2010

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

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

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

Inventories and Prepaid Items

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

Capital Assets

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

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

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

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

Assets	Years
Building and Structures	20 - 50
Improvements	15 - 25
Machinery and Equipment	3 - 25
Vehicles	5 - 10
Infrastructure	40 - 50
Airport Master Plan	10 - 20
Utility Plant	20 - 60

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2010

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

Compensated Absences

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

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

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

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

Compensatory Time may be accrued in the following manner: Police up to 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.

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2010

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

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

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

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

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

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

For the current fiscal year ending June 30, 2010, all annual cash out and/or conversion of hours for general, utility, and management shall be limited to a cumulative maximum of 20, 60, and 118 hours per Unit member, respectively. For the police, all annual cash out and/or conversion of hours options related to all types of accrued leave shall be reduced by fifty percent (50%) for each Police Unit member. All existing accrual maximums (caps) shall remain in place.

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

CITY OF BANNING**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
JUNE 30, 2010

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

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 (\$46,145,191) difference is as follows:

Certificates of participation payable	\$ (4,210,000)
Tax allocation bonds payable	(41,555,000)
Unamortized original issue discount	791,375
Notes payable	<u>(1,171,566)</u>
Net adjustment to reduce fund balance of total governmental funds to arrive at net assets of governmental activities	<u>\$ (46,145,191)</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 \$3,910,422 difference is as follows:

CITY OF BANNING**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
JUNE 30, 2010**Note 1: Organization and Summary of Significant Accounting Policies (Continued)**

Capital outlay	\$ 9,007,342
Less: depreciation expense	<u>(5,096,920)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 3,910,422</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 \$(94,965) difference are as follows:

Debt issued or incurred:	
Loan payable	\$ (1,020,000)
Principal repayments:	
Certificates of participation	275,000
Tax allocation bonds	645,000
Loan payable	33,495
Amortization of bond discount	<u>(28,460)</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>\$ (94,965)</u>

II. STEWARDSHIP**Note 2: Stewardship, Compliance and Accountability****a. Budgets and Budgetary Accounting**

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

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

Budgetary comparison is provided in the accompanying financial statements for the General Fund, Special Revenue Funds, Capital Projects Funds and Debt Service Funds,

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2010

Note 2: Stewardship, Compliance and Accountability (Continued)

except for the State Park Bond Act Fund. 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. The following fund contained a deficit fund balance:

Fund	Amount
Article 3 Sidewalk	\$ (75,705)

III. DETAILED NOTES ON ALL FUNDS

Note 3: Cash and Investments

As of June 30, 2010, cash and investments were reported in the accompanying financial statements as follows:

Governmental activities	\$ 44,689,273
Business-type activities	80,378,960
Fiduciary funds	1,082,669
Total Cash and Investments	<u>\$ 126,150,902</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, 2010, the carrying amount of the City's deposits was \$4,531,959, and the bank balance was \$4,297,242. The \$234,717 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

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2010

Note 3: Cash and Investments (Continued)

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

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.

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2010

Note 3: Cash and Investments (Continued)

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, 2010, 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, 2010, 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, 2010, 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, 2010, 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, 2010, in accordance with GASB 40 requirements, the City has not invested more than 5% of its total investments in any one issuer. Investments guaranteed by the U.S. government and investments in mutual funds and external investment pools are excluded from this requirement.

Interest Rate Risk

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

As of June 30, 2010, the City had the following investments and maturities:

Investment Type	Remaining Investment Maturities					Fair Value
	6 months or less	6 months to 1 year	1 to 3 years	More than 5 years		
Federal Agency Securities	\$ -	\$ -	\$ 24,059,550	\$ -	\$ 24,059,550	
Local Agency Investment Fund	43,330,405	-	-	-	-	43,330,405
Money Market	1,238,168	-	-	-	-	1,238,168
Cash with Fiscal Agents:						
Money Market	49,414,193	3,016,509	-	-	-	52,430,702
U.S Treasury Note	37,556	-	-	-	-	37,556
Repurchase agreement	-	-	-	522,562	522,562	
Total	\$ 94,020,322	\$ 3,016,509	\$ 24,059,550	\$ 522,562	\$ 121,618,943	

CITY OF BANNING**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
JUNE 30, 2010**Note 4: Interfund Receivables, Payables and Transfers**

The composition of interfund balances as of June 30, 2010, is as follows:

Due To/From Other Funds

Funds	Due To Other Funds				Total
	Capital Improvement Fund	RDA Debt Service Fund	Nonmajor Governmental Funds		
Due From Other Funds:					
General Fund	\$ 1,350,551	\$ 1,000,000	\$ -		\$ 2,350,551
BUA Wastewater Fund	-	-	299,691		299,691
Total	\$ 1,350,551	\$ 1,000,000	\$ 299,691		\$ 2,650,242

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

Advances To/From Other Funds

Funds	Advances to Other Funds			Total
	RDA Capital Project Fund	BUA Water Fund	Electric Utility	
Advances from Other Funds:				
General Fund	\$ -	\$ -	\$ 395,118	\$ 395,118
RDA Capital Project	-	2,421,000	4,579,000	7,000,000
RDA Debt Service	<u>1,906,018</u>	-	<u>\$ 247,920</u>	<u>2,153,938</u>
Total	\$ 1,906,018	\$ 2,421,000	\$ 5,222,038	\$ 9,549,056

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, 2010, loans to and accrued unpaid interest owed on those loans was \$643,038.

During the current fiscal year, the Debt Service RDA Fund made a loan to the Capital Project RDA Fund for \$1,906,018 to make the SERAF payment that was due on May 10, 2010. The loan is to be repaid by June 30, 2015, based on legislation that was passed.

During the current year, the BUA Water Fund and the Electric Utility Fund made a loan to the Capital Project RDA Fund for \$7,000,000 in order to finance the cost of certain public facilities within the RDA. This loan has no definite repayment date.

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

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

Interfund Transfers

Funds	Transfers In:						Totals
	General Fund	RDA Capital Projects	RDA Debt Service	Nonmajor Governmental Funds	BUA Water Fund	Nonmajor Proprietary Funds	
Transfers Out:							
General Fund	\$ -	\$ -	\$ -	\$ 257,735	\$ -	\$ -	\$ 257,735
Capital Improvement	-	-	-	-	1,250,000	-	1,250,000
RDA Capital Projects	-	-	192,888	-	-	-	192,888
RDA Debt Service	-	1,739,117	-	-	-	-	1,739,117
Nonmajor Governmental Funds	196,000	-	-	130,487	-	58,685	385,172
BUA Water Fund	1,720,000	-	-	18,000	-	-	1,738,000
BUA Wastewater Fund	181,000	-	-	-	-	-	181,000
Electric Utility	-	40,098	-	-	-	-	40,098
Nonmajor Proprietary Funds	-	-	-	55,000	-	-	55,000
Totals	\$ 2,097,000	\$ 1,779,215	\$ 192,888	\$ 461,222	\$ 1,250,000	\$ 58,685	\$ 5,839,010

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 \$2,097,000.

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 RDA capital 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 BUA Water 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)
JUNE 30, 2010

Note 5: Changes in Capital Assets

Capital asset activity for the year ended June 30, 2010, is as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 3,093,600	\$ -	\$ -	\$ -	\$ 3,093,600
Construction-in-progress	10,898,744	957,377	-	(10,353,210)	1,502,911
Total Capital Assets, Not Being Depreciated	13,992,344	957,377	-	(10,353,210)	4,596,511
Capital assets, being depreciated:					
Buildings and structures	12,115,435	5,763,283	-	8,133,721	26,012,439
Land improvements	7,004,772	20,509	-	1,091,388	8,116,669
Machinery and equipment	3,693,813	1,467,618	-	32,976	5,194,407
Vehicles	4,307,716	351,235	601,875	120,430	4,177,506
Infrastructure	111,054,173	457,312	-	974,695	112,486,180
Total Capital Assets, Being Depreciated	138,175,909	8,059,957	601,875	10,353,210	155,987,201
Less accumulated depreciation:					
Buildings and structures	8,554,717	636,866	-	-	9,191,583
Land improvements	1,934,946	361,749	23,003	-	2,273,692
Machinery and equipment	3,284,870	247,339	-	-	3,532,209
Vehicles	3,193,657	459,457	568,880	-	3,084,234
Infrastructure	34,784,641	3,449,582	-	-	38,234,223
Total Accumulated Depreciation	51,752,831	5,154,993	591,883	-	56,315,941
Total Capital Assets, Being Depreciated, Net	86,423,078	2,904,964	9,992	10,353,210	99,671,260
Governmental Activities Capital Assets, Net	\$ 100,415,422	\$ 3,862,341	\$ 9,992	\$ -	\$ 104,267,771

Depreciation expense was charged to governmental functions as follows:

Governmental Activities:	
General government	\$ 188,262
Public safety	811,283
Public works	3,729,946
Parks and recreation	367,429
Internal service funds	58,073
Total Depreciation Expense - Governmental Activities	\$ 5,154,993

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 5: Changes in Capital Assets (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Business-Type Activities:					
Capital assets, not being depreciated:					
Land	\$ 1,184,229	\$ -	\$ -	\$ -	\$ 1,184,229
Construction-in-progress	8,990,658	107,767	-	(7,105,412)	1,993,013
Total Capital Assets, Not Being Depreciated	10,174,887	107,767	-	(7,105,412)	3,177,242
Capital assets, being depreciated:					
Airport master plan	38,875	-	-	-	38,875
Buildings and structures	519,247	-	-	-	519,247
Land improvements	2,074,939	1,049,914	-	-	3,124,853
Machinery and equipment	29,106	-	-	-	29,106
Utility plant	143,864,900	7,005,902	728,315	7,105,412	157,247,899
Total Capital Assets, Being Depreciated	146,527,067	8,055,816	728,315	7,105,412	160,959,980
Less accumulated depreciation:					
Airport master plan	38,875	-	-	-	38,875
Buildings and structures	365,757	6,553	-	-	372,310
Land improvements	1,044,790	107,839	-	-	1,152,629
Machinery and equipment	15,994	3,934	-	-	19,928
Utility plant	50,223,123	3,433,327	776,640	-	52,879,810
Total Accumulated Depreciation	51,688,539	3,551,653	776,640	-	54,463,552
Total Capital Assets, Being Depreciated, Net	94,838,528	4,504,163	(48,325)	7,105,412	106,496,428
Business-type Activities Capital Assets, Net	\$ 105,013,415	\$ 4,611,930	\$ (48,325)	\$ -	\$ 109,673,670

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

Business-Type Activities:	
Airport	\$ 114,392
Transit	33,522
Banning Utility Authority Water	1,189,473
Electric Utility	1,401,610
Banning Utility Authority Wastewater	808,721
Refuse Utility	3,935
Total Depreciation Expense - Business-Type Activities	\$ 3,551,653

CITY OF BANNING**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
JUNE 30, 2010**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	\$ 1,162,601	\$ (19,624)	\$ 1,142,977
Electric	4,317,450	(61,019)	4,256,431
Wastewater	410,480	(6,934)	403,546
Nonmajor Proprietary Funds	<u>464,077</u>	<u>(7,811)</u>	<u>456,266</u>
	<u><u>\$ 6,354,608</u></u>	<u><u>\$ (95,388)</u></u>	<u><u>\$ 6,259,220</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, 2010
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 for an amount not to exceed \$42,000.	42,000
In June 2009, the Agency approved the third 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.	393,625
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)**
JUNE 30, 2010**Note 7: Loans Receivable (Continued)**

Description	Balance at June 30, 2010
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
On July 28, 2009 the Agency entered into an owners participation agreement with Michael J. and Susan D. Frydrych DBA Cinema Showcase Inc. for the renovation of the Fox Cineplex located at 60 West Ramsey Street for an amount not to exceed \$1,363,348.	1,363,348
On April 7, 2010, the Agency entered into a Façade Improvement Agreement between the City of Banning Community Redevelopment Agency and Arts District Holding, LLC for the property located at 111 N. Gorgonio for an amount not to exceed \$25,155.	25,155
On November 18, 2009, the Agency entered into an owners participation agreement with The Haven Corporation, DBA The Haven Coffeehouse and Art Gallery for the property located at 42 W. Ramsey Street for an amount not to exceed \$30,000.	30,000
On May 29, 2007, the Agency entered into a Façade Improvement Agreement between the City of Banning Community Redevelopment Agency and Martha Bolin Hunt for the property located at 141 N. Gorgonio for an amount not to exceed \$100,000.	8,000
Various first time home buyer downpayment assistance loans	460,000
Various rehabilitation loans	349,437
Various employee loans	44,769
Total loans receivable at June 30, 2010	<u><u>\$ 5,255,784</u></u>

CITY OF BANNING**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
JUNE 30, 2010**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, 2010, amounted to \$894,109.

Note 9: Long-Term Debt

The following is a summary of the changes in long-term debt for the fiscal year ended June 30, 2010:

	Balance at July 1, 2009	Incurred	Retired	Balance at June 30, 2010	Due Within One Year
Governmental Activities:					
1997 Refunding COPs	\$ 4,485,000	\$ -	\$ 275,000	\$ 4,210,000	\$ 290,000
2003 Tax Allocation Bonds	12,235,000	-	400,000	11,835,000	410,000
2007 Tax Allocation Bonds	29,965,000	-	245,000	29,720,000	365,000
Loans Payable	185,061	1,020,000	33,495	1,171,566	37,817
Compensated Absences					
Governmental Funds	1,207,032	195,044	299,809	1,102,267	276,564
Internal Service Funds	123,348	28,260	53,197	98,411	32,327
Claims & Judgment	727,682	627,908	451,602	903,988	561,018
Total	\$ 48,928,123	\$ 1,871,212	\$ 1,758,103	49,041,232	\$ 1,972,726
Less:					
Unamortized original issue discount				(791,375)	
Net Governmental Activities				\$ 48,249,857	
Business-Type Activities:					
Loans Payable	\$ 3,102,506	\$ -	\$ 223,623	\$ 2,878,883	\$ 229,438
2005 Water Revenue Bond	33,545,000	-	665,000	32,880,000	685,000
2005 Wastewater Revenue Bond	6,350,000	-	250,000	6,100,000	265,000
Electric Revenue Bond	45,065,000	-	755,000	44,310,000	785,000
Compensated Absences	395,712	214,561	43,243	567,030	61,964
Total	\$ 88,458,218	\$ 214,561	\$ 1,936,866	86,735,913	\$ 2,026,402
Less:					
Unamortized original issue premium				1,817,158	
Unamortized original issue discount				(107,519)	
Unamortized loss on defeasance				(607,144)	
Net Business-Type Activities				\$ 87,838,408	

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS (CONTINUED) **JUNE 30, 2010**

Note 9: Long-Term Debt (Continued)

a. 1997 Refunding Certificates of Participation

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

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

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

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

The Certificates maturing from 1997 to 2011 are serial certificates payable in annual installments of \$45,000 to \$305,000, while the Certificates maturing between 2012 and 2020 are term certificates with sinking fund payments payable in annual installments of \$320,000 to \$495,000. Interest is payable semi-annually on each May 1 and November 1, commencing November 1, 1997, at rates ranging from 4.0% to 5.5% per annum. The outstanding principal balance at June 30, 2010 was \$4,210,000.

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

CITY OF BANNING**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
JUNE 30, 2010**Note 9: Long-Term Debt (Continued)**

Year Ending June 30,	Principal	Interest	Total
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	355,000	152,762	507,762
2015-2020	2,105,000	437,938	2,542,938
2020-2025	495,000	13,612	508,612
Total	<u>\$ 4,210,000</u>	<u>\$ 1,395,652</u>	<u>\$ 5,605,652</u>

b. 2003 Tax Allocation Bonds

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

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

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

A reserve fund was established in the amount of \$972,264 from the bond proceeds for the benefit of the City and as security for the Bond owners. The bonds are further secured by a financial guarantee insurance policy. The bonds are a special obligation of the Banning Redevelopment Agency payable from tax revenues. The amount of bonds outstanding at June 30, 2010, totaled \$11,835,000.

Year Ending June 30,	Principal	Interest	Total
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	480,000	478,895	958,895
2015-2020	2,730,000	2,054,208	4,784,208
2020-2025	3,455,000	1,307,625	4,762,625
2025-2030	<u>3,435,000</u>	<u>354,375</u>	<u>3,789,375</u>
Total	<u>\$ 11,835,000</u>	<u>\$ 6,299,711</u>	<u>\$ 18,134,711</u>

CITY OF BANNING**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
JUNE 30, 2010

Note 9: Long-Term Debt (Continued)**c. 2007 Tax Allocation Bonds**

On May 15, 2007, 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, 2010, totaled \$29,720,000.

Year Ending June 30,	Principal	Interest	Total
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	710,000	1,137,391	1,847,391
2015-2020	4,035,000	5,264,072	9,299,072
2020-2025	4,885,000	4,389,088	9,274,088
2025-2030	6,650,000	3,245,388	9,895,388
2030-2035	7,235,000	1,654,044	8,889,044
2035-2040	4,070,000	255,063	4,325,063
Total	<u>\$ 29,720,000</u>	<u>\$ 20,735,298</u>	<u>\$ 50,455,298</u>

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, 2010, the outstanding balance on the note payable is \$176,559.

CITY OF BANNING**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
JUNE 30, 2010**Note 9: Long-Term Debt (Continued)**

Year Ending June 30,	Principal	Interest	Total
2011	\$ 9,054	\$ 11,477	\$ 20,531
2012	9,643	10,888	20,531
2013	10,270	10,261	20,531
2014	10,937	9,594	20,531
2015	11,648	8,883	20,531
2015-2020	70,631	32,022	102,653
2020-2025	<u>54,376</u>	<u>7,217</u>	<u>61,593</u>
Total	<u>\$ 176,559</u>	<u>\$ 90,342</u>	<u>\$ 266,901</u>

e. Loan Payable – DeZorzi

On July 29, 2009, the Agency purchased real property 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. At June 30, 2010, the outstanding balance on the note payable is \$995,007.

Year Ending June 30,	Principal	Interest	Total
2011	\$ 28,763	\$ 58,928	\$ 87,691
2012	30,378	57,313	87,691
2013	32,411	55,280	87,691
2014	34,410	53,281	87,691
2015	36,532	51,159	87,691
2015-2020	<u>832,513</u>	<u>53,087</u>	<u>885,600</u>
Total	<u>\$ 995,007</u>	<u>\$ 329,048</u>	<u>\$ 1,324,055</u>

f. 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)**
JUNE 30, 2010

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
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	805,000	1,487,625	2,292,625
2015-2020	4,555,000	6,893,800	11,448,800
2020-2025	5,680,000	5,721,188	11,401,188
2025-2030	7,305,000	4,049,719	11,354,719
2030-2035	9,430,000	1,864,538	11,294,538
2035-2040	2,195,000	57,619	2,252,619
Total	<u>\$ 32,880,000</u>	<u>\$ 26,335,841</u>	<u>\$ 59,215,841</u>

g. 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, 2010, amounted to \$6,100,000.

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

CITY OF BANNING**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
JUNE 30, 2010**Note 9: Long-Term Debt (Continued)**

Year Ending June 30,	Principal	Interest	Total
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	155,000	239,395	394,395
2015-2020	860,000	1,096,589	1,956,589
2020-2025	1,055,000	894,403	1,949,403
2025-2030	1,320,000	626,538	1,946,538
2030-2035	1,650,000	284,438	1,934,438
2035-2040	375,000	8,672	383,672
Total	<u>\$ 6,100,000</u>	<u>\$ 4,164,554</u>	<u>\$ 10,264,554</u>

h. 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, 2010, was \$2,878,883. The loan is recorded in the BUA Wastewater Utility Enterprise Fund.

Year Ending June 30,	Principal	Interest	Total
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	254,246	50,043	304,289
2015-2020	1,373,892	147,552	1,521,444
2020-2025	296,578	7,711	304,289
Total	<u>\$ 2,878,883</u>	<u>\$ 468,293</u>	<u>\$ 3,347,176</u>

i. 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, 2010, amounted to \$44,310,000.

CITY OF BANNING**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
JUNE 30, 2010**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
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	935,000	2,041,988	2,976,988
2015-2020	5,365,000	9,501,000	14,866,000
2020-2025	6,860,000	8,017,500	14,877,500
2025-2030	8,690,000	6,126,000	14,816,000
2030-2035	11,070,000	3,729,750	14,799,750
2035-2040	8,060,000	819,250	8,879,250
Total	<u>\$ 44,310,000</u>	<u>\$ 38,804,440</u>	<u>\$ 83,114,440</u>

j. 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 \$68,590,009 with annual debt service requirements as indicated above. For the current year, the total tax increment revenue, net of pass through payments, recognized by the Agency was \$5,075,960 and the debt service obligation on the bonds was \$2,447,730.

Note 10: Compensated Absences

For governmental activities, accumulated vacation, sick leave benefits, holiday and compensatory time payable at June 30, 2010, was \$1,200,678 which includes \$98,411 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 \$567,030.

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)**
JUNE 30, 2010**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.

	Amount of Issue	Outstanding June 30, 2010
AD 91-1 1992	\$ 2,422,134	\$ 840,000
AD 2004-1	2,898,000	2,695,000

Note 13: Single Family Mortgage Revenue Bonds

The Redevelopment Agency has issued mortgage revenue bonds as follows:

	Outstanding Balance June 30, 2010
Redevelopment Agency of the City of Banning Single Family Residential Mortgage Revenue Refunding Bonds	\$ 245,000

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 \$1,720,000 during the fiscal year June 30, 2010.

CITY OF BANNING**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
JUNE 30, 2010**Note 15: Prior Period Adjustments**

Beginning fund balance has been restated as follows:

Major Governmental Funds:	
Redevelopment Agency	
To correct the loan from City to RDA	\$ (7,000,000)
based on funding sources	
To properly record the loans receivable balance	<u>778,723</u>
Total Governmental Funds	<u>\$ (6,221,277)</u>
Major Enterprise Funds:	
Banning Utility Authority Water	
To correct loan to Redevelopment Agency	\$ 2,421,000
Electric Fund	
To correct loan to Redevelopment Agency	4,579,000
To adjust accounts payable balance.	<u>(3,300)</u>
Total Banning Utility Authority Water	<u>4,575,700</u>
Other Enterprise Funds	
To adjust compensated absences balance.	<u>(1,046)</u>
Total Proprietary Funds	<u>\$ 6,995,654</u>

Beginning net assets has been restated as follows:

Governmental Activities:	
Governmental funds restatements detailed above	<u>\$ (6,221,277)</u>
Business-Type Activities:	
Enterprise funds restatement detailed above	<u>6,995,654</u>
Total Net Asset Restatements	<u>\$ 774,377</u>

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2010

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, 2010, was 12.848% 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, 2010, the City's annual pension cost (employer contribution) of \$861,528 for miscellaneous employees was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2007, actuarial valuation using the entry age normal actuarial cost method.

Three-Year Trend Information for PERS - Miscellaneous Plan

Fiscal Year	Annual Pension Cost (APC)*	Percentage of APC Contributed	Net Pension Obligations
6/30/2008	\$ 1,072,803	100%	\$ -
6/30/2009	1,129,141	100%	-
6/30/2010	861,528	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

CITY OF BANNING**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
JUNE 30, 2010**Note 16: City Employees Retirement Plan (Defined Benefit Pension Plan) (Continued)**

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.

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

Actuarial Valuation Date	Entry Age		Actuarial Value of Assets	Unfunded		Annual Covered Payroll	UAAL as a % of Covered Payroll	
	Normal	Accrued Liability		AAL (UAAL)	Funded Ratio		%	%
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 %
6/30/2009		45,252		36,376	8,876	80.4	7,505	118.3 %

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, 2010, was 30.82% 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, 2010, the City's annual pension cost (employer contribution) of \$838,611 for safety employees was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2007, actuarial valuation using the entry age normal actuarial cost method.

CITY OF BANNING**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
JUNE 30, 2010**Note 16: City Employees Retirement Plan (Defined Benefit Pension Plan) (Continued)****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>
6/30/2008	\$ 971,279	100%	\$ -
6/30/2009	953,866	100%	-
6/30/2010	838,611	100%	-

* Employer contribution

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

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 \$26,347 (7.5% of covered payroll). Total payroll for employees covered under this plan for the year was \$351,299.

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

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2010

Note 17: Deferred Compensation Plan (Continued)

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.

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, 2010, the amount of these liabilities was \$903,988. The amount represents an estimate of \$534,242 for reported claims through June 30, 2010, and \$369,746 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, 2010, resulted from the following:

Year	Liability at Beginning	Current Year Claims and Changes in Estimates	Claim Payments	Liability at End
2009	\$ 936,048	\$ 408,906	\$ 617,272	\$ 727,682
2010	727,682	627,908	451,602	903,988

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.

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2010

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.

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, 2010, was \$16,131,480.

Summary financial information (audited) of SCPPA for the fiscal year ended June 30, 2010, follows:

	Amounts (in thousands)
Total Assets	\$ 3,263,430
Total Liabilities	<u>3,395,936</u>
Total Net Assets	<u>\$ (132,506)</u>
Beginning Net Assets	\$ (169,205)
Total Revenues (including investment)	552,300
Total Expenses (including debt and loss on refunding)	(525,394)
Net Contributions by Participants	9,793
Ending Net Assets	<u>\$ (132,506)</u>

Separate audited financial statements for SCPPA are available from SCPPA.

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2010

Note 21: Transaction with the State of California

a. Proposition 1A Borrowing by the State of California

Under the provisions of Proposition 1A and as part of the 2009-10 budget package passed by the California state legislature on July 28, 2009, the State of California borrowed 8% of the amount of property tax revenue, including those property taxes associated with the in-lieu motor vehicle license fee, the triple flip in lieu sales tax, and supplemental property tax, apportioned to cities, counties and special districts (excluding redevelopment agencies). The state is required to repay this borrowing plus interest by June 30, 2013. After repayment of this initial borrowing, the California legislature may consider only one additional borrowing within a ten-year period. The amount of this borrowing pertaining to the City of Banning was \$438,730.

Authorized with the 2009-10 State budget package, the Proposition 1A Securitization Program was instituted by the California Statewide Communities Development Authority ("California Communities"), a joint powers authority sponsored by the California State Association of Counties and the League of California Cities, to enable local governments to sell their Proposition 1A receivables to California Communities. Under the Securitization Program, California Communities simultaneously purchased the Proposition 1A receivables and issued bonds ("Prop 1A Bonds") to provide local agencies with cash proceeds in two equal installments, on January 15, 2010 and May 3, 2010. The purchase price paid to the local agencies equaled 100% of the amount of the property tax reduction. All transaction costs of issuance and interest were paid by the State of California. Participating local agencies have no obligation on the bonds and no credit exposure to the State. The City participated in the securitization program and accordingly property taxes have been recorded in the same manner as if the State had not exercised its rights under Proposition 1A. The receivable sale proceeds were equal to the book value and, as a result, no gain or loss was recorded.

b. Delay of State Gas Tax Payments

In March 2010, the State Legislature passed legislation delaying a variety of State payments to local agencies in response to anticipated State cash flow problems in fiscal year 2010-2011. AB5 8x contains provisions to delay a portion (approximately 60%) of the payments of State Gas Tax monies for the first nine months of 2010-2011 (July 2010 through March 2011) to be paid no later than April 28, 2011.

c. SERAF Shift for fiscal year 2009-2010 and 2010-2011

On July 23, 2009, the State adopted legislation, requiring a shift of monies during fiscal years 2009-2010 and 2010-2011 to be deposited into the County "Supplemental" Educational Revenue Augmentation Fund (SERAFF). These monies were to be distributed to meet the State's Prop 98 obligations to schools. The California Redevelopment Association (CRA) and its member agencies filed a legal action in an attempt to stop these amounts from having to be paid; however, in May 2010 the Sacramento Superior Court upheld the legislation. This decision is in the process of being appealed by CRA and its member agencies.

The payment of the SERAF was due on May 10, 2010 for fiscal year 2009-2010 and it was made in the amount of \$1,906,018. The legislation allowed this payment to be made from any available monies present in any project area(s). Subsequent legislation was passed which even allowed the funding for this payment to be borrowed from the Low

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS (CONTINUED) **JUNE 30, 2010**

Note 21: Transaction with the State of California (Continued)

and Moderate Income Housing Fund with appropriate findings from its legislative body. Any amounts borrowed from Low and Moderate Income Housing (including any suspended set-aside amounts) are to be repaid by June 30, 2015. If those amounts are not repaid, by that date, then the set-aside percentage to Low and Moderate Income Housing will increase from 20% to 25% for the remainder of the life of the Agency.

To accomplish the payment, the Agency borrowed \$1,906,018 from the Low and Moderate Income Housing Fund (after adopting appropriate findings of necessity). In the accompanying financial statements, the amount paid to the County has been reported as a use of current year resources. Borrowings and/or suspended set-aside amounts relating to the Low and Moderate Income Housing Fund have been reflected as inter-fund advances between the accounting funds of the Agency.

It is estimated that the Agency's share of the SERAF shift for fiscal year 2010-2011 will amount to approximately \$392,038 and this amount will be payable in May 2011 if the appeal is not successful.

Note 22: Subsequent Events

The Agency purchased real property on November 16, 2010, for \$810,000 located at 280 E. Ramsey Street (APN 054-1183-004) that would be part of a 91,000 square foot development that would be a mixed-use project named the Village at San Gorgonio.

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CITY OF BANNING

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010

Special Revenue Funds					
	Gas Tax Street	Measure A	SB 300 Street	Article 3 Sidewalk	
Assets:					
Pooled cash and investments	\$ 756,294	\$ 1,265,119	\$ 146,310	\$ 8,912	
Receivables:					
Accounts	200	-	-	-	
Loans	464	-	-	-	
Interest	1,293	2,944	307	-	
Due from other governments	<u>119,156</u>	<u>118,229</u>	<u>-</u>	<u>133,750</u>	
Total Assets	<u>\$ 877,407</u>	<u>\$ 1,386,292</u>	<u>\$ 146,617</u>	<u>\$ 142,662</u>	
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$ 8,016	\$ -	\$ -	\$ 129,617	
Accrued liabilities	17,480	-	-	-	
Deferred revenues	-	28,432	-	88,750	
Deposits payable	95,961	-	-	-	
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Total Liabilities	<u>121,457</u>	<u>28,432</u>	<u>-</u>	<u>218,367</u>	
Fund Balances:					
Reserved:					
Reserved for encumbrances	-	-	-	-	155,449
Reserved for loans receivable	464	-	-	-	-
Reserved for special donations	-	-	-	-	-
Unreserved:					
Designated for continuing appropriations	100,000	11,600	-	-	-
Undesignated	<u>655,486</u>	<u>1,346,260</u>	<u>146,617</u>	<u>(231,154)</u>	
Total Fund Balances	<u>755,950</u>	<u>1,357,860</u>	<u>146,617</u>	<u>(75,705)</u>	
Total Liabilities and Fund Balances	<u>\$ 877,407</u>	<u>\$ 1,386,292</u>	<u>\$ 146,617</u>	<u>\$ 142,662</u>	

CITY OF BANNING

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010

(Continued)

Special Revenue Funds						
	Community Development Block Grant	Landscape Maintenance District	AQMD Air Pollution Program	Asset Forfeiture		
Assets:						
Pooled cash and investments	\$ -	\$ 199,361	\$ 97,357	\$ 2,470		
Receivables:						
Accounts	- -	- -	- -	- -		
Loans	- -	- -	- -	- -		
Interest	- -	376	230	5		
Due from other governments	<u>221,669</u>	<u>6,042</u>	<u>8,653</u>	<u>-</u>		
Total Assets	<u>\$ 221,669</u>	<u>\$ 205,779</u>	<u>\$ 106,240</u>	<u>\$ 2,475</u>		
Liabilities and Fund Balances:						
Liabilities:						
Accounts payable	\$ 48,800	\$ 7,519	\$ -	\$ -		
Accrued liabilities	- -	- -	- -	- -		
Deferred revenues	- -	3,223	- -	- -		
Deposits payable	- -	- -	- -	- -		
Due to other funds	<u>172,869</u>	<u>-</u>	<u>-</u>	<u>-</u>		
Total Liabilities	<u>221,669</u>	<u>10,742</u>	<u>-</u>	<u>-</u>		
Fund Balances:						
Reserved:						
Reserved for encumbrances	71,901	- -	- -	- -		
Reserved for loans receivable	- -	- -	- -	- -		
Reserved for special donations	- -	- -	- -	- -		
Unreserved:						
Designated for continuing appropriations	- -	- -	- -	- -		
Undesignated	<u>(71,901)</u>	<u>195,037</u>	<u>106,240</u>	<u>2,475</u>		
Total Fund Balances	<u>-</u>	<u>195,037</u>	<u>106,240</u>	<u>2,475</u>		
Total Liabilities and Fund Balances	<u>\$ 221,669</u>	<u>\$ 205,779</u>	<u>\$ 106,240</u>	<u>\$ 2,475</u>		

CITY OF BANNING

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010

Special Revenue Funds						
	San Gorgonio Gang Task Force	Supplemental Law Enforcement	Public Safety Sales Tax	State Park Bond Act		
Assets:						
Pooled cash and investments	\$ -	\$ 81,341	\$ -	\$ 923		
Receivables:						
Accounts	- -	- -	- -	- -		
Loans	- -	- -	- -	- -		
Interest	- -	103	- -	2		
Due from other governments	<u>- -</u>	<u>25,773</u>	<u>14,098</u>	<u>- -</u>		
Total Assets	<u>\$ -</u>	<u>\$ 107,217</u>	<u>\$ 14,098</u>	<u>\$ 925</u>		
Liabilities and Fund Balances:						
Liabilities:						
Accounts payable	\$ - -	\$ 1,352	\$ - -	\$ - -		
Accrued liabilities	- - -	- - -	- - -	- - -		
Deferred revenues	- - -	- - -	- - -	- - -		
Deposits payable	- - -	- - -	- - -	- - -		
Due to other funds	<u>- - -</u>	<u>- - -</u>	<u>10,787</u>	<u>- - -</u>		
Total Liabilities	<u>- - -</u>	<u>1,352</u>	<u>10,787</u>	<u>- - -</u>		
Fund Balances:						
Reserved:						
Reserved for encumbrances	- - -	- - -	- - -	- - -		
Reserved for loans receivable	- - -	- - -	- - -	- - -		
Reserved for special donations	- - -	- - -	- - -	- - -		
Unreserved:						
Designated for continuing appropriations	- - -	105,865	- - -	- - -		
Undesignated	<u>- - -</u>	<u>- - -</u>	<u>3,311</u>	<u>925</u>		
Total Fund Balances	<u>- - -</u>	<u>105,865</u>	<u>3,311</u>	<u>925</u>		
Total Liabilities and Fund Balances	<u>\$ - -</u>	<u>\$ 107,217</u>	<u>\$ 14,098</u>	<u>\$ 925</u>		

CITY OF BANNING

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010

(Continued)

Special Revenue Funds					
	Special Donations	Senior Center Activities	Animal Control Reserve	Police Volunteer	
Assets:					
Pooled cash and investments	\$ 22,306	\$ 71,951	\$ 4,840	\$ 5,686	
Receivables:					
Accounts	-	-	-	-	
Loans	-	-	-	-	
Interest	-	150	10	12	
Due from other governments	-	-	-	-	
Total Assets	<u>\$ 22,306</u>	<u>\$ 72,101</u>	<u>\$ 4,850</u>	<u>\$ 5,698</u>	
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$ 570	\$ 227	\$ -	\$ -	
Accrued liabilities	-	-	-	-	
Deferred revenues	-	-	-	-	
Deposits payable	1,691	-	-	-	
Due to other funds	-	-	-	-	
Total Liabilities	<u>2,261</u>	<u>227</u>	<u>-</u>	<u>-</u>	
Fund Balances:					
Reserved:					
Reserved for encumbrances	-	-	-	-	
Reserved for loans receivable	-	-	-	-	
Reserved for special donations	20,045	-	-	-	
Unreserved:					
Designated for continuing appropriations	-	-	-	-	
Undesignated	-	71,874	4,850	5,698	
Total Fund Balances	<u>20,045</u>	<u>71,874</u>	<u>4,850</u>	<u>5,698</u>	
Total Liabilities and Fund Balances	<u>\$ 22,306</u>	<u>\$ 72,101</u>	<u>\$ 4,850</u>	<u>\$ 5,698</u>	

CITY OF BANNING

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010

	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	\$ 9,459	\$ 79,624	\$ 372,585	\$ 306,454
Receivables:				
Accounts	-	-	-	-
Loans	-	-	-	-
Interest	35	167	782	515
Due from other governments	42,593	-	-	-
Total Assets	\$ 52,087	\$ 79,791	\$ 373,367	\$ 306,969
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 499	\$ -	\$ -	\$ -
Accrued liabilities	4,850	-	-	18,559
Deferred revenues	-	-	-	-
Deposits payable	-	-	-	-
Due to other funds	-	-	-	-
Total Liabilities	5,349	-	-	18,559
Fund Balances:				
Reserved:				
Reserved for encumbrances	-	-	-	-
Reserved for loans receivable	-	-	-	-
Reserved for special donations	-	-	-	-
Unreserved:				
Designated for continuing appropriations	46,574	-	-	-
Undesignated	164	79,791	373,367	288,410
Total Fund Balances	46,738	79,791	373,367	288,410
Total Liabilities and Fund Balances	\$ 52,087	\$ 79,791	\$ 373,367	\$ 306,969

CITY OF BANNING

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010

(Continued)

Capital Projects Funds					
	Police Facilities Development	Fire Facilities Development	Traffic Control Facilities	General Facilities	
Assets:					
Pooled cash and investments	\$ 19,051	\$ 914,330	\$ 382,806	\$ 461,718	
Receivables:					
Accounts	-	-	-	-	-
Loans	-	-	-	-	-
Interest	40	1,919	803	969	
Due from other governments	-	-	-	-	-
Total Assets	<u>\$ 19,091</u>	<u>\$ 916,249</u>	<u>\$ 383,609</u>	<u>\$ 462,687</u>	
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	-
Accrued liabilities	-	-	-	-	-
Deferred revenues	-	-	-	-	-
Deposits payable	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total Liabilities	<u>-</u>	<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>19,091</u>	<u>916,249</u>	<u>158,609</u>	<u>462,687</u>	
Total Fund Balances	<u>19,091</u>	<u>916,249</u>	<u>383,609</u>	<u>462,687</u>	
Total Liabilities and Fund Balances	<u>\$ 19,091</u>	<u>\$ 916,249</u>	<u>\$ 383,609</u>	<u>\$ 462,687</u>	

CITY OF BANNING

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010**

Capital Projects Funds				
	Park Development	Sunset Grade Separation	Total Governmental Funds	
Assets:				
Pooled cash and investments	\$ 179,088	\$ 24,687	\$ 5,412,672	
Receivables:				
Accounts	-	-		200
Loans	-	-		464
Interest	382	-		11,044
Due from other governments	-	132,733		822,696
Total Assets	\$ 179,470	\$ 157,420	\$ 6,247,076	
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 196,600	
Accrued liabilities	-	-		40,889
Deferred revenues	-	-		120,405
Deposits payable	-	-		97,652
Due to other funds	-	116,035		299,691
Total Liabilities	-	116,035	755,237	
Fund Balances:				
Reserved:				
Reserved for encumbrances	27,115	-		254,465
Reserved for loans receivable	-	-		464
Reserved for special donations	-	-		20,045
Unreserved:				
Designated for continuing appropriations	132,046	41,385		662,470
Undesignated	20,309	-		4,554,395
Total Fund Balances	179,470	41,385	5,491,839	
Total Liabilities and Fund Balances	\$ 179,470	\$ 157,420	\$ 6,247,076	

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CITY OF BANNING

COMBINING STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2010

<u>Special Revenue Funds</u>				
	<u>Gas Tax Street</u>	<u>Measure A</u>	<u>SB 300 Street</u>	<u>Article 3 Sidewalk</u>
Revenues:				
Taxes	\$ -	\$ 354,705	\$ -	\$ -
Intergovernmental	723,580	-	-	45,000
Charges for services	-	-	-	-
Use of money and property	5,897	14,337	1,489	(613)
Miscellaneous	4,298	-	-	-
Total Revenues	733,775	369,042	1,489	44,387
Expenditures:				
Current:				
Public safety	-	-	-	-
Parks and recreation	-	-	-	-
Public works	813,345	-	-	-
Capital outlay	-	17,133	-	264,237
Total Expenditures	813,345	17,133	-	264,237
Excess (Deficiency) of Revenues Over (Under) Expenditures	(79,570)	351,909	1,489	(219,850)
Other Financing Sources (Uses):				
Transfers in	327,735	-	-	130,487
Transfers out	-	(189,172)	-	-
Total Other Financing Sources (Uses)	327,735	(189,172)	-	130,487
Net Change in Fund Balances	248,165	162,737	1,489	(89,363)
Fund Balances, Beginning of Year	507,785	1,195,123	145,128	13,658
Fund Balances, End of Year	\$ 755,950	\$ 1,357,860	\$ 146,617	\$ (75,705)

CITY OF BANNING

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010

(Continued)

Special Revenue Funds				
	Community Development Block Grant	Landscape Maintenance District	AQMD Air Pollution Program	Asset Forfeiture
Revenues:				
Taxes	\$ -	\$ 144,385	\$ -	\$ -
Intergovernmental	367,532	-	32,221	-
Charges for services	-	-	-	-
Use of money and property	-	1,560	1,402	25
Miscellaneous	-	-	-	-
Total Revenues	367,532	145,945	33,623	25
Expenditures:				
Current:				
Public safety	-	-	-	-
Parks and recreation	353,520	-	-	-
Public works	-	85,987	6,575	-
Capital outlay	-	-	160,689	-
Total Expenditures	353,520	85,987	167,264	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	14,012	59,958	(133,641)	25
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	14,012	59,958	(133,641)	25
Fund Balances, Beginning of Year	(14,012)	135,079	239,881	2,450
Fund Balances, End of Year	\$ -	\$ 195,037	\$ 106,240	\$ 2,475

CITY OF BANNING

COMBINING STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2010

Special Revenue Funds				
	San Gorgonio Gang Task Force	Supplemental Law Enforcement	Public Safety Sales Tax	State Park Bond Act
Revenues:				
Taxes	\$ -	\$ -	\$ 183,015	\$ -
Intergovernmental	- -	100,000	-	-
Charges for services	- -	- -	- -	- -
Use of money and property	(7) -	1,562 -	(11) -	10 -
Miscellaneous	- -	- -	- -	- -
Total Revenues	(7)	101,562	183,004	10
Expenditures:				
Current:				
Public safety	2,047	18,425	- -	- -
Parks and recreation	- -	- -	- -	- -
Public works	- -	- -	- -	- -
Capital outlay	- -	77,994	- -	- -
Total Expenditures	2,047	96,419	- -	- -
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,054)	5,143	183,004	10
Other Financing Sources (Uses):				
Transfers in	- -	- -	- -	- -
Transfers out	- -	- -	(196,000)	- -
Total Other Financing Sources (Uses)	- -	- -	(196,000)	- -
Net Change in Fund Balances	(2,054)	5,143	(12,996)	10
Fund Balances, Beginning of Year	2,054	100,722	16,307	915
Fund Balances, End of Year	\$ -	\$ 105,865	\$ 3,311	\$ 925

CITY OF BANNING

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010

(Continued)

Special Revenue Funds				
	Special Donations	Senior Center Activities	Animal Control Reserve	Police Volunteer
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for services	-	241	-	-
Use of money and property	-	726	48	64
Miscellaneous	4,208	6,963	-	-
Total Revenues	4,208	7,930	48	64
Expenditures:				
Current:				
Public safety	-	-	-	1,102
Parks and recreation	1,576	6,405	-	-
Public works	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	1,576	6,405	-	1,102
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,632	1,525	48	(1,038)
Other Financing Sources (Uses):				
Transfers in	-	-	-	3,000
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	3,000
Net Change in Fund Balances	2,632	1,525	48	1,962
Fund Balances, Beginning of Year	17,413	70,349	4,802	3,736
Fund Balances, End of Year	\$ 20,045	\$ 71,874	\$ 4,850	\$ 5,698

CITY OF BANNING

**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010**

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	46,176	-	-	300,000
Charges for services	-	-	-	-
Use of money and property	141	811	3,794	3,331
Miscellaneous	-	-	-	-
Total Revenues	46,317	811	3,794	303,331
Expenditures:				
Current:				
Public safety	1,075	-	-	445,916
Parks and recreation	-	-	-	-
Public works	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	1,075	-	-	445,916
Excess (Deficiency) of Revenues Over (Under) Expenditures	45,242	811	3,794	(142,585)
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	45,242	811	3,794	(142,585)
Fund Balances, Beginning of Year	1,496	78,980	369,573	430,995
Fund Balances, End of Year	\$ 46,738	\$ 79,791	\$ 373,367	\$ 288,410

CITY OF BANNING

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010

(Continued)

<u>Capital Projects Funds</u>				
	Police Facilities Development	Fire Facilities Development	Traffic Control Facilities	General Facilities
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	- -	- -	- -	- -
Charges for services	- -	- -	- -	- -
Use of money and property	189	9,287	3,872	4,693
Miscellaneous	<u>2,944</u>	<u>10,960</u>	<u>7,344</u>	<u>3,936</u>
Total Revenues	<u>3,133</u>	<u>20,247</u>	<u>11,216</u>	<u>8,629</u>
Expenditures:				
Current:				
Public safety	- -	- -	- -	- -
Parks and recreation	- -	- -	- -	- -
Public works	- -	- -	- -	- -
Capital outlay	- -	- -	- -	- -
Total Expenditures	- -	- -	- -	- -
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3,133</u>	<u>20,247</u>	<u>11,216</u>	<u>8,629</u>
Other Financing Sources (Uses):				
Transfers in	- -	- -	- -	- -
Transfers out	- -	- -	- -	- -
Total Other Financing Sources (Uses)	- -	- -	- -	- -
Net Change in Fund Balances	<u>3,133</u>	<u>20,247</u>	<u>11,216</u>	<u>8,629</u>
Fund Balances, Beginning of Year	<u>15,958</u>	<u>896,002</u>	<u>372,393</u>	<u>454,058</u>
Fund Balances, End of Year	<u>\$ 19,091</u>	<u>\$ 916,249</u>	<u>\$ 383,609</u>	<u>\$ 462,687</u>

CITY OF BANNING

COMBINING STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2010

<u>Capital Projects Funds</u>			
	Park Development	Sunset Grade Separation	Total Governmental Funds
Revenues:			
Taxes	\$ -	\$ -	\$ 682,105
Intergovernmental	-	132,733	1,747,242
Charges for services	-	-	241
Use of money and property	2,233	(53)	54,787
Miscellaneous	1,233	-	41,886
Total Revenues	3,466	132,680	2,526,261
Expenditures:			
Current:			
Public safety	-	-	468,565
Parks and recreation	73,557	-	435,058
Public works	-	-	905,907
Capital outlay	-	99,212	619,265
Total Expenditures	73,557	99,212	2,428,795
Excess (Deficiency) of Revenues Over (Under) Expenditures	(70,091)	33,468	97,466
Other Financing Sources (Uses):			
Transfers in	-	-	461,222
Transfers out	-	-	(385,172)
Total Other Financing Sources (Uses)	-	-	76,050
Net Change in Fund Balances	(70,091)	33,468	173,516
Fund Balances, Beginning of Year	249,561	7,917	5,318,323
Fund Balances, End of Year	\$ 179,470	\$ 41,385	\$ 5,491,839

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
GAS TAX STREET
YEAR ENDED JUNE 30, 2010

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 507,785	\$ 507,785	\$ 507,785	\$ -
Resources (Inflows):				
Intergovernmental	454,000	454,000	723,580	269,580
Use of money and property	8,000	8,340	5,897	(2,443)
Miscellaneous	1,400	2,350	4,298	1,948
Transfers in	327,735	327,735	327,735	-
Amounts Available for Appropriation	1,298,920	1,300,210	1,569,295	269,085
Charges to Appropriation (Outflow):				
Public works	890,034	891,799	813,345	78,454
Capital outlay	-	100,000	-	100,000
Total Charges to Appropriations	890,034	991,799	813,345	178,454
Budgetary Fund Balance, June 30	\$ 408,886	\$ 308,411	\$ 755,950	\$ 447,539

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
MEASURE A
YEAR ENDED JUNE 30, 2010

	Budget Amounts	Actual Amounts	Variance with Final Budget
	Original	Final	Positive (Negative)
Budgetary Fund Balance, July 1	\$ 1,195,123	\$ 1,195,123	\$ -
Resources (Inflows):			
Taxes	430,000	362,000	(7,295)
Use of money and property	15,000	15,000	(663)
Amounts Available for Appropriation	1,640,123	1,572,123	(7,958)
Charges to Appropriation (Outflow):			
Capital outlay	-	22,153	5,020
Transfers out	-	364,520	175,348
Total Charges to Appropriations	-	386,673	206,305
Budgetary Fund Balance, June 30	\$ 1,640,123	\$ 1,185,450	\$ 172,410

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
 SB 300 STREET
 YEAR ENDED JUNE 30, 2010

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
	\$ 145,128	\$ 145,128		
Budgetary Fund Balance, July 1			\$ 145,128	\$ -
Resources (Inflows):				
Use of money and property	3,000	2,000	1,489	(511)
Amounts Available for Appropriation	148,128	147,128	146,617	(511)
Budgetary Fund Balance, June 30	\$ 148,128	\$ 147,128	\$ 146,617	\$ (511)

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
 ARTICLE 3 SIDEWALK
 YEAR ENDED JUNE 30, 2010

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Budgetary Fund Balance, July 1	\$ 13,658	\$ 13,658	\$ 13,658	\$ -
Resources (Inflows):				
Intergovernmental	-	152,500	45,000	(107,500)
Use of money and property	300	300	(613)	(913)
Transfers in	-	273,010	130,487	(142,523)
Amounts Available for Appropriation	13,958	439,468	188,532	(250,936)
Charges to Appropriation (Outflow):				
Capital outlay	-	425,510	264,237	161,273
Total Charges to Appropriations	-	425,510	264,237	161,273
Budgetary Fund Balance, June 30	\$ 13,958	\$ 13,958	\$ (75,705)	\$ (89,663)

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
 COMMUNITY DEVELOPMENT BLOCK GRANT
 YEAR ENDED JUNE 30, 2010

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Budgetary Fund Balance, July 1	\$ (14,012)	\$ (14,012)	\$ (14,012)	\$ -
Resources (Inflows):				
Intergovernmental	171,456	449,435	367,532	(81,903)
Amounts Available for Appropriation	157,444	435,423	353,520	(81,903)
Charges to Appropriation (Outflow):				
Parks and recreation	171,456	435,422	353,520	81,902
Total Charges to Appropriations	171,456	435,422	353,520	81,902
Budgetary Fund Balance, June 30	\$ (14,012)	\$ 1	\$ -	\$ (1)

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
 LANDSCAPE MAINTENANCE DISTRICT
 YEAR ENDED JUNE 30, 2010

	Budget Amounts	Actual Amounts	Variance with Final Budget
	Original	Final	Positive (Negative)
Budgetary Fund Balance, July 1	\$ 135,079	\$ 135,079	\$ -
Resources (Inflows):			
Taxes	128,583	147,569	144,385 (3,184)
Use of money and property	1,750	1,750	1,560 (190)
Amounts Available for Appropriation	265,412	284,398	281,024 (3,374)
Charges to Appropriation (Outflow):			
Public works	135,978	149,141	85,987 63,154
Total Charges to Appropriations	135,978	149,141	85,987 63,154
Budgetary Fund Balance, June 30	\$ 129,434	\$ 135,257	\$ 195,037 \$ 59,780

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
 AQMD AIR POLLUTION PROGRAM
 YEAR ENDED JUNE 30, 2010

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 239,881	\$ 239,881	\$ 239,881	\$ -
Resources (Inflows):				
Intergovernmental	32,000	32,000	32,221	221
Use of money and property	5,500	3,000	1,402	(1,598)
Amounts Available for Appropriation	277,381	274,881	273,504	(1,377)
Charges to Appropriation (Outflow):				
Public works	-	17,658	6,575	11,083
Capital outlay	-	149,813	160,689	(10,876)
Total Charges to Appropriations	-	167,471	167,264	207
Budgetary Fund Balance, June 30	\$ 277,381	\$ 107,410	\$ 106,240	\$ (1,170)

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
ASSET FORFEITURE
YEAR ENDED JUNE 30, 2010

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 2,450	\$ 2,450	\$ 2,450	\$ -
Resources (Inflows):				
Use of money and property	60	60	25	(35)
Amounts Available for Appropriation	2,510	2,510	2,475	(35)
Budgetary Fund Balance, June 30	\$ 2,510	\$ 2,510	\$ 2,475	\$ (35)

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
 SAN GORGONIO GANG TASK FORCE
 YEAR ENDED JUNE 30, 2010

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 2,054	\$ 2,054	\$ 2,054	\$ -
Resources (Inflows):				
Use of money and property	50	50	(7)	(57)
Amounts Available for Appropriation	2,104	2,104	2,047	(57)
Charges to Appropriation (Outflow):				
Public safety	400	2,104	2,047	57
Total Charges to Appropriations	400	2,104	2,047	57
Budgetary Fund Balance, June 30	\$ 1,704	\$ -	\$ -	\$ -

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
SUPPLEMENTAL LAW ENFORCEMENT
YEAR ENDED JUNE 30, 2010

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 100,722	\$ 100,722	\$ 100,722	\$ -
Resources (Inflows):				
Intergovernmental	-	100,000	100,000	-
Use of money and property	-	272	1,562	1,290
Amounts Available for Appropriation	100,722	200,994	202,284	1,290
Charges to Appropriation (Outflow):				
Public safety	-	61,704	18,425	43,279
Capital outlay	-	139,289	77,994	61,295
Total Charges to Appropriations	-	200,993	96,419	104,574
Budgetary Fund Balance, June 30	\$ 100,722	\$ 1	\$ 105,865	\$ 105,864

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
 PUBLIC SAFETY SALES TAX
 YEAR ENDED JUNE 30, 2010

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 16,307	\$ 16,307	\$ 16,307	\$ -
Resources (Inflows):				
Taxes	190,000	180,000	183,015	3,015
Use of money and property	1,000	-	(11)	(11)
Amounts Available for Appropriation	207,307	196,307	199,311	3,004
Charges to Appropriation (Outflow):				
Transfers out	200,000	196,000	196,000	-
Total Charges to Appropriations	200,000	196,000	196,000	-
Budgetary Fund Balance, June 30	\$ 7,307	\$ 307	\$ 3,311	\$ 3,004

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
 SPECIAL DONATIONS
 YEAR ENDED JUNE 30, 2010

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 17,413	\$ 17,413	\$ 17,413	\$ -
Resources (Inflows):				
Miscellaneous	1,750	3,275	4,208	933
Amounts Available for Appropriation	19,163	20,688	21,621	933
Charges to Appropriation (Outflow):				
Parks and recreation	4,000	4,000	1,576	2,424
Total Charges to Appropriations	4,000	4,000	1,576	2,424
Budgetary Fund Balance, June 30	\$ 15,163	\$ 16,688	\$ 20,045	\$ 3,357

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
 SENIOR CENTER ACTIVITIES
 YEAR ENDED JUNE 30, 2010

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
Budgetary Fund Balance, July 1	\$ 70,349	\$ 70,349	\$ 70,349	\$ -
Resources (Inflows):				
Charges for services	300	300	241	(59)
Use of money and property	1,250	1,250	726	(524)
Miscellaneous	13,600	7,740	6,963	(777)
Amounts Available for Appropriation	85,499	79,639	78,279	(1,360)
Charges to Appropriation (Outflow):				
Parks and recreation	17,945	17,945	6,405	11,540
Total Charges to Appropriations	17,945	17,945	6,405	11,540
Budgetary Fund Balance, June 30	\$ 67,554	\$ 61,694	\$ 71,874	\$ 10,180

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
 ANIMAL CONTROL RESERVE
 YEAR ENDED JUNE 30, 2010

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
	\$ 4,802	\$ 4,802		
Budgetary Fund Balance, July 1			\$ 4,802	\$ -
Resources (Inflows):				
Use of money and property	100	100	48	(52)
Amounts Available for Appropriation	4,902	4,902	4,850	(52)
Budgetary Fund Balance, June 30	\$ 4,902	\$ 4,902	\$ 4,850	\$ (52)

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
POLICE VOLUNTEER
YEAR ENDED JUNE 30, 2010

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Budgetary Fund Balance, July 1	\$ 3,736	\$ 3,736	\$ 3,736	\$ -
Resources (Inflows):				
Use of money and property	25	25	64	39
Transfers in	3,000	3,000	3,000	-
Amounts Available for Appropriation	6,761	6,761	6,800	39
Charges to Appropriation (Outflow):				
Public safety	2,901	2,901	1,102	1,799
Total Charges to Appropriations	2,901	2,901	1,102	1,799
Budgetary Fund Balance, June 30	\$ 3,860	\$ 3,860	\$ 5,698	\$ 1,838

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
D.A.R.E./G.R.E.A.T.
YEAR ENDED JUNE 30, 2010

	Budget Amounts	Actual	Variance with Final Budget
	Original	Final	Amounts
Budgetary Fund Balance, July 1	\$ 1,496	\$ 1,496	\$ -
Resources (Inflows):			
Intergovernmental	-	46,241	46,176
Use of money and property	-	-	141
Amounts Available for Appropriation	1,496	47,737	76
Charges to Appropriation (Outflow):			
Public safety	-	46,281	1,075
Capital outlay	-	1,455	-
Total Charges to Appropriations	-	47,736	1,075
Budgetary Fund Balance, June 30	\$ 1,496	\$ 1	\$ 46,738
			\$ 46,737

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
RAMSEY/HIGHLAND HOME SIGNAL
YEAR ENDED JUNE 30, 2010

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 78,980	\$ 78,980	\$ 78,980	\$ -
Resources (Inflows):				
Use of money and property	1,500	1,500	811	(689)
Amounts Available for Appropriation	80,480	80,480	79,791	(689)
Budgetary Fund Balance, June 30	\$ 80,480	\$ 80,480	\$ 79,791	\$ (689)

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
WILSON MEDIAN IMPROVEMENT
YEAR ENDED JUNE 30, 2010

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 369,573	\$ 369,573	\$ 369,573	\$ -
Resources (Inflows):				
Use of money and property	-	5,000	3,794	(1,206)
Amounts Available for Appropriation	369,573	374,573	373,367	(1,206)
Budgetary Fund Balance, June 30	\$ 369,573	\$ 374,573	\$ 373,367	\$ (1,206)

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
RIVERSIDE COUNTY MOU
YEAR ENDED JUNE 30, 2010

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
Budgetary Fund Balance, July 1	\$ 430,995	\$ 430,995	\$ 430,995	\$ -
Resources (Inflows):				
Intergovernmental	300,000	300,000	300,000	-
Use of money and property	7,000	7,000	3,331	(3,669)
Amounts Available for Appropriation	737,995	737,995	734,326	(3,669)
Charges to Appropriation (Outflow):				
Public safety	493,935	493,935	445,916	48,019
Total Charges to Appropriations	493,935	493,935	445,916	48,019
Budgetary Fund Balance, June 30	\$ 244,060	\$ 244,060	\$ 288,410	\$ 44,350

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
 POLICE FACILITIES DEVELOPMENT
 YEAR ENDED JUNE 30, 2010

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Budgetary Fund Balance, July 1	\$ 15,958	\$ 15,958	\$ 15,958	\$ -
Resources (Inflows):				
Use of money and property	100	100	189	89
Miscellaneous	-	2,945	2,944	(1)
Amounts Available for Appropriation	16,058	19,003	19,091	88
Budgetary Fund Balance, June 30	\$ 16,058	\$ 19,003	\$ 19,091	\$ 88

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
FIRE FACILITIES DEVELOPMENT
YEAR ENDED JUNE 30, 2010

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Budgetary Fund Balance, July 1	\$ 896,002	\$ 896,002	\$ 896,002	\$ -
Resources (Inflows):				
Use of money and property	22,000	14,000	9,287	(4,713)
Miscellaneous	-	10,960	10,960	-
Amounts Available for Appropriation	918,002	920,962	916,249	(4,713)
Budgetary Fund Balance, June 30	\$ 918,002	\$ 920,962	\$ 916,249	\$ (4,713)

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
 TRAFFIC CONTROL FACILITIES
 YEAR ENDED JUNE 30, 2010

	Budget Amounts	Actual Amounts	Variance with Final Budget
	Original	Final	Positive (Negative)
Budgetary Fund Balance, July 1	\$ 372,393	\$ 372,393	\$ -
Resources (Inflows):			
Use of money and property	8,000	5,000	3,872 (1,128)
Miscellaneous	-	7,345	7,344 (1)
Amounts Available for Appropriation	380,393	384,738	383,609 (1,129)
Charges to Appropriation (Outflow):			
Public works	-	50,000	- 50,000
Capital outlay	-	175,000	- 175,000
Total Charges to Appropriations	-	225,000	- 225,000
Budgetary Fund Balance, June 30	\$ 380,393	\$ 159,738	\$ 383,609 \$ 223,871

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
 GENERAL FACILITIES
 YEAR ENDED JUNE 30, 2010

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Budgetary Fund Balance, July 1	\$ 454,058	\$ 454,058	\$ 454,058	\$ -
Resources (Inflows):				
Use of money and property	10,000	10,000	4,693	(5,307)
Miscellaneous	-	3,940	3,936	(4)
Amounts Available for Appropriation	464,058	467,998	462,687	(5,311)
Budgetary Fund Balance, June 30	\$ 464,058	\$ 467,998	\$ 462,687	\$ (5,311)

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
PARK DEVELOPMENT
YEAR ENDED JUNE 30, 2010

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 249,561	\$ 249,561	\$ 249,561	\$ -
Resources (Inflows):				
Use of money and property	8,000	5,500	2,233	(3,267)
Miscellaneous	-	1,235	1,233	(2)
Amounts Available for Appropriation	257,561	256,296	253,027	(3,269)
Charges to Appropriation (Outflow):				
Parks and recreation	-	82,718	73,557	9,161
Capital outlay	-	150,253	-	150,253
Total Charges to Appropriations	-	232,971	73,557	159,414
Budgetary Fund Balance, June 30	\$ 257,561	\$ 23,325	\$ 179,470	\$ 156,145

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
 CAPITAL IMPROVEMENT
 YEAR ENDED JUNE 30, 2010

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Budgetary Fund Balance, July 1	\$ 8,952,194	\$ 8,952,194	\$ 8,952,194	\$ -
Resources (Inflows):				
Use of money and property	25,000	30,000	31,793	1,793
Amounts Available for Appropriation	8,977,194	8,982,194	8,983,987	1,793
Charges to Appropriation (Outflow):				
Public safety	107,080	107,080	111,104	(4,024)
Capital outlay	-	6,996,383	6,923,687	72,696
Transfers out	-	1,250,000	1,250,000	-
Total Charges to Appropriations	107,080	8,353,463	8,284,791	68,672
Budgetary Fund Balance, June 30	\$ 8,870,114	\$ 628,731	\$ 699,196	\$ 70,465

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
SUNSET GRADE SEPARATION
YEAR ENDED JUNE 30, 2010

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Budgetary Fund Balance, July 1	\$ 7,917	\$ 7,917	\$ 7,917	\$ -
Resources (Inflows):				
Intergovernmental	-	929,448	132,733	(796,715)
Use of money and property	-	-	(53)	(53)
Amounts Available for Appropriation	7,917	937,365	140,597	(796,768)
Charges to Appropriation (Outflow):				
Capital outlay	-	937,366	99,212	838,154
Total Charges to Appropriations	-	937,366	99,212	838,154
Budgetary Fund Balance, June 30	\$ 7,917	\$ (1)	\$ 41,385	\$ 41,386

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
 REDEVELOPMENT AGENCY - CAPITAL PROJECTS FUND
 YEAR ENDED JUNE 30, 2010

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Budgetary Fund Balance, July 1, as restated	\$ 30,359,579	\$ 30,359,579	\$ 30,359,579	\$ -
Resources (Inflows):				
Taxes	-	-	1,015,191	1,015,191
Use of money and property	171,150	375,400	506,338	130,938
Miscellaneous	9,000	15,875	20,505	4,630
Transfers in	2,693,250	2,795,729	1,779,215	(1,016,514)
Other debts issued	-	-	1,020,000	1,020,000
Amounts Available for Appropriation	33,232,979	33,546,583	34,700,828	1,154,245
Charges to Appropriation (Outflow):				
General government	1,706,969	3,974,752	3,731,336	243,416
Capital outlay	-	8,017,042	560,867	7,456,175
Transfers out	192,688	192,688	192,888	(200)
Loss on disposal of assets	-	-	1,521,057	(1,521,057)
Total Charges to Appropriations	1,899,657	12,184,482	6,006,148	6,178,334
Budgetary Fund Balance, June 30	\$ 31,333,322	\$ 21,362,101	\$ 28,694,680	\$ 7,332,579

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
REDEVELOPMENT AGENCY - DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2010

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 5,222,755	\$ 5,222,755	\$ 5,222,755	\$ -
Resources (Inflows):				
Taxes	4,452,300	4,156,726	2,967,986	(1,188,740)
Use of money and property	601,296	588,796	592,900	4,104
Transfers in	192,688	192,688	192,888	200
Amounts Available for Appropriation	10,469,039	10,160,965	8,976,529	(1,184,436)
Charges to Appropriation (Outflow):				
General government	62,750	1,970,118	1,956,921	13,197
Debt service:				
Principal retirement	997,385	1,022,378	953,495	68,883
Interest and fiscal charges	2,069,367	2,124,758	2,125,480	(722)
Transfers out	2,693,250	2,795,729	1,739,117	1,056,612
Total Charges to Appropriations	5,822,752	7,912,983	6,775,013	1,137,970
Budgetary Fund Balance, June 30	\$ 4,646,287	\$ 2,247,982	\$ 2,201,516	\$ (46,466)

CITY OF BANNING

COMBINING STATEMENT OF NET ASSETS
NON-MAJOR ENTERPRISE FUNDS
JUNE 30, 2010

	Airport	Transit	Refuse Utility	Totals
Assets:				
Current:				
Cash and investments	\$ 216,244	\$ 936,972	\$ 452,133	\$ 1,605,349
Receivables:				
Accounts	807	1,090	454,369	456,266
Notes and loans	-	3,893	-	3,893
Interest	324	2,217	688	3,229
Due from other governments	-	158,874	5,000	163,874
Inventories	34,995	-	-	34,995
Total Current Assets	252,370	1,103,046	912,190	2,267,606
Noncurrent:				
Capital assets - net of accumulated depreciation	2,625,562	283,126	9,179	2,917,867
Total Noncurrent Assets	2,625,562	283,126	9,179	2,917,867
Total Assets	\$ 2,877,932	\$ 1,386,172	\$ 921,369	\$ 5,185,473
Liabilities and Net Assets:				
Liabilities:				
Current:				
Accounts payable	\$ 53,859	\$ 1,435	\$ 471,245	\$ 526,539
Accrued liabilities	2,020	27,284	7,967	37,271
Unearned revenues	-	1,025,767	-	1,025,767
Deposits payable	23,271	-	78,173	101,444
Compensated absences	68	5,492	5,376	10,936
Total Current Liabilities	79,218	1,059,978	562,761	1,701,957
Noncurrent:				
Compensated absences	5,560	43,854	35,437	84,851
Total Noncurrent Liabilities	5,560	43,854	35,437	84,851
Total Liabilities	84,778	1,103,832	598,198	1,786,808
Net Assets:				
Invested in capital assets, net of related debt	2,625,562	283,126	9,179	2,917,867
Unrestricted	167,592	(786)	313,992	480,798
Total Net Assets	2,793,154	282,340	323,171	3,398,665
Total Liabilities and Net Assets	\$ 2,877,932	\$ 1,386,172	\$ 921,369	\$ 5,185,473

CITY OF BANNING

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
NON-MAJOR ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2010

	Airport	Transit	Refuse Utility	Totals
Operating Revenues:				
Sales and service charges	\$ 194,719	\$ 124,106	\$ 2,977,562	\$ 3,296,387
Total Operating Revenues	194,719	124,106	2,977,562	3,296,387
Operating Expenses:				
Salaries and benefits	48,606	698,223	100,214	847,043
Supplies and services	196,726	521,634	2,909,753	3,628,113
Repairs and maintenance	15,011	258	-	15,269
Bad debt expense	-	-	33,172	33,172
Depreciation expense	114,392	33,522	3,935	151,849
Total Operating Expenses	374,735	1,253,637	3,047,074	4,675,446
Operating Income (Loss)	(180,016)	(1,129,531)	(69,512)	(1,379,059)
Nonoperating Revenues (Expenses):				
Intergovernmental	1,053,574	1,313,011	27,766	2,394,351
Interest revenue	1,349	8,282	3,789	13,420
Miscellaneous	1,664	-	5,000	6,664
Gain (loss) on disposal of fixed assets	-	1,856	-	1,856
Total Nonoperating Revenues (Expenses)	1,056,587	1,323,149	36,555	2,416,291
Income (Loss) Before Transfers	876,571	193,618	(32,957)	1,037,232
Transfers in	58,685	-	-	58,685
Transfers out	-	-	(55,000)	(55,000)
Changes in Net Assets	935,256	193,618	(87,957)	1,040,917
Net Assets:				
Beginning of Year, as originally reported	1,857,898	89,768	411,128	2,358,794
Restatements	-	(1,046)	-	(1,046)
Beginning of Fiscal Year, as restated	1,857,898	88,722	411,128	2,357,748
End of Fiscal Year	\$ 2,793,154	\$ 282,340	\$ 323,171	\$ 3,398,665

CITY OF BANNING

COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2010

	Airport	Transit	Refuse Utility	Totals
Cash Flows from Operating Activities:				
Cash received from customers and users	\$ 194,121	\$ 125,208	\$ 2,979,858	\$ 3,299,187
Cash paid to supplies for goods and services	(215,048)	391,124	(2,709,467)	(2,533,391)
Cash paid to employees for services	(42,821)	(697,508)	(78,790)	(819,119)
Net Cash Provided (Used) by Operating Activities	(63,748)	(181,176)	191,601	(53,323)
Cash Flows from Non-Capital Financing Activities:				
Cash transfers in	58,685	-	-	58,685
Cash transfers out	-	-	(55,000)	(55,000)
Intergovernmental	1,053,574	1,160,631	22,767	2,236,972
Miscellaneous	1,664	-	5,000	6,664
Net Cash Provided (Used) by Non-Capital Financing Activities	1,113,923	1,160,631	(27,233)	2,247,321
Cash Flows from Capital and Related Financing Activities:				
Acquisition and construction of capital assets	(1,049,914)	(225,284)	-	(1,275,198)
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,049,914)	(225,284)	-	(1,275,198)
Cash Flows from Investing Activities:				
Interest received	1,770	6,965	3,998	12,733
Net Cash Provided (Used) by Investing Activities	1,770	6,965	3,998	12,733
Net Increase (Decrease) in Cash and Cash Equivalents	2,031	761,136	168,366	931,533
Cash and Cash Equivalents at Beginning of Year	214,213	175,836	283,767	673,816
Cash and Cash Equivalents at End of Year	\$ 216,244	\$ 936,972	\$ 452,133	\$ 1,605,349
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ (180,016)	\$ (1,129,531)	\$ (69,512)	\$ (1,379,059)
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:				
Depreciation	114,392	33,522	3,935	151,849
(Increase) decrease in accounts receivable	(598)	1,102	2,296	2,800
(Increase) decrease in loans receivable	-	(1,618)	-	(1,618)
(Increase) decrease in inventories	(19,040)	-	-	(19,040)
Increase (decrease) in accounts payable	22,974	(791)	220,083	242,266
Increase (decrease) in accrued liabilities	338	(7,590)	1,814	(5,438)
Increase (decrease) in deposits payable	(7,245)	-	13,375	6,130
Increase (decrease) in unearned revenue	-	915,425	-	915,425
Increase (decrease) in compensated absences	5,447	8,305	19,610	33,362
Total Adjustments	116,268	948,355	261,113	1,325,736
Net Cash Provided (Used) by Operating Activities	\$ (63,748)	\$ (181,176)	\$ 191,601	\$ (53,323)
Non-Cash Investing, Capital, and Financing Activities:				
Bad debt expense	-	-	(33,172)	(33,172)

CITY OF BANNING

COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2010

	Self Insurance	Fleet Maintenance	Information Services
Assets:			
Current:			
Cash and investments	\$ 2,243,789	\$ 531,383	\$ 262,286
Receivables:			
Accounts	-	26,423	-
Loans	-	-	-
Interest	731	1,111	549
Due from other governments	-	461	-
Inventories	-	83,333	-
Total Current Assets	2,244,520	642,711	262,835
Noncurrent:			
Capital assets - net of accumulated depreciation	-	331,851	53,054
Total Noncurrent Assets	-	331,851	53,054
Total Assets	\$ 2,244,520	\$ 974,562	\$ 315,889
Liabilities and Net Assets:			
Liabilities:			
Current:			
Accounts payable	\$ 53,704	\$ 83,395	\$ 4,240
Accrued liabilities	5,065	9,842	6,975
Deposits payable	928	-	-
Compensated absences	3,300	2,427	8,369
Claims and judgments	561,018	-	-
Total Current Liabilities	624,015	95,664	19,584
Noncurrent:			
Compensated absences	3,299	36,200	8,257
Claims and judgments	342,970	-	-
Total Noncurrent Liabilities	346,269	36,200	8,257
Total Liabilities	970,284	131,864	27,841
Net Assets:			
Invested in capital assets, net of related debt	-	331,851	53,054
Unrestricted	1,274,236	510,847	234,994
Total Net Assets	1,274,236	842,698	288,048
Total Liabilities and Net Assets	\$ 2,244,520	\$ 974,562	\$ 315,889

CITY OF BANNING

COMBINING STATEMENT OF NET ASSETS
 INTERNAL SERVICE FUNDS
 JUNE 30, 2010

	Utility Billing Accounting & Collection	Totals
Assets:		
Current:		
Cash and investments	\$ 630,815	\$ 3,668,273
Receivables:		
Accounts	17,075	43,498
Loans	400	400
Interest	1,286	3,677
Due from other governments	-	461
Inventories	-	83,333
Total Current Assets	649,576	3,799,642
Noncurrent:		
Capital assets - net of accumulated depreciation	40,958	425,863
Total Noncurrent Assets	40,958	425,863
Total Assets	\$ 690,534	\$ 4,225,505
Liabilities and Net Assets:		
Liabilities:		
Current:		
Accounts payable	\$ 16,279	\$ 157,618
Accrued liabilities	29,413	51,295
Deposits payable	-	928
Compensated absences	18,231	32,327
Claims and judgments	-	561,018
Total Current Liabilities	63,923	803,186
Noncurrent:		
Compensated absences	18,328	66,084
Claims and judgments	-	342,970
Total Noncurrent Liabilities	18,328	409,054
Total Liabilities	82,251	1,212,240
Net Assets:		
Invested in capital assets, net of related debt	40,958	425,863
Unrestricted	567,325	2,587,402
Total Net Assets	608,283	3,013,265
Total Liabilities and Net Assets	\$ 690,534	\$ 4,225,505

CITY OF BANNING

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2010

	Self Insurance	Fleet Maintenance	Information Services
Operating Revenues:			
Sales and service charges	\$ 1,612,479	\$ 1,064,217	\$ 309,533
Total Operating Revenues	1,612,479	1,064,217	309,533
Operating Expenses:			
Salaries and benefits	181,640	231,445	211,931
Supplies and services	813,690	635,519	62,220
Repairs and maintenance	1,670	83,990	74,689
Insurance premiums	1,089,231	-	-
Depreciation expense	-	12,119	24,135
Total Operating Expenses	2,086,231	963,073	372,975
Operating Income (Loss)	(473,752)	101,144	(63,442)
Nonoperating Revenues (Expenses):			
Intergovernmental	-	8,982	-
Interest revenue	58,889	5,051	2,674
Miscellaneous	172,337	4,821	-
Gain (loss) on disposal of fixed assets	-	2,322	-
Total Nonoperating Revenues (Expenses)	231,226	21,176	2,674
Changes in Net Assets	(242,526)	122,320	(60,768)
Net Assets:			
Beginning of Year	1,516,762	720,378	348,816
End of Fiscal Year	\$ 1,274,236	\$ 842,698	\$ 288,048

CITY OF BANNING

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2010

	Utility Billing Accounting & Collection	Totals
Operating Revenues:		
Sales and service charges	\$ 1,388,403	\$ 4,374,632
Total Operating Revenues	1,388,403	4,374,632
Operating Expenses:		
Salaries and benefits	779,585	1,404,601
Supplies and services	496,960	2,008,389
Repairs and maintenance	31,450	191,799
Insurance premiums	-	1,089,231
Depreciation expense	21,819	58,073
Total Operating Expenses	1,329,814	4,752,093
Operating Income (Loss)	58,589	(377,461)
Nonoperating Revenues (Expenses):		
Intergovernmental	-	8,982
Interest revenue	5,882	72,496
Miscellaneous	-	177,158
Gain (loss) on disposal of fixed assets	-	2,322
Total Nonoperating Revenues (Expenses)	5,882	260,958
Changes in Net Assets	64,471	(116,503)
Net Assets:		
Beginning of Year	543,812	3,129,768
End of Fiscal Year	\$ 608,283	\$ 3,013,265

CITY OF BANNING

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2010

	Self Insurance	Fleet Maintenance	Information Services
Cash Flows from Operating Activities:			
Cash received from interfund service provided	\$ 1,613,452	\$ 1,047,029	\$ 309,533
Cash paid to supplies for goods and services	(799,625)	(674,287)	(138,791)
Cash paid to employees for services	(186,266)	(225,577)	(229,489)
Cash paid for claims	(912,925)	-	-
Net Cash Provided (Used) by Operating Activities	(285,364)	147,165	(58,747)
Cash Flows from Non-Capital Financing Activities:			
Intergovernmental	-	15,359	-
Miscellaneous	172,337	4,821	-
Net Cash Provided (Used) by Non-Capital Financing Activities	172,337	20,180	-
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	-	2,322	-
Net Cash Provided (Used) by Capital and Related Financing Activities	-	2,322	-
Cash Flows from Investing Activities:			
Interest received	60,736	5,106	3,121
Net Cash Provided (Used) by Investing Activities	60,736	5,106	3,121
Net Increase (Decrease) in Cash and Cash Equivalents	(52,291)	174,773	(55,626)
Cash and Cash Equivalents at Beginning of Year	2,296,080	356,610	317,912
Cash and Cash Equivalents at End of Year	\$ 2,243,789	\$ 531,383	\$ 262,286
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ (473,752)	\$ 101,144	\$ (63,442)
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:			
Depreciation	-	12,119	24,135
(Increase) decrease in accounts receivable	973	(17,188)	-
(Increase) decrease in loans receivable	-	-	-
(Increase) decrease in inventories	-	515	-
Increase (decrease) in accounts payable	15,735	44,707	(1,882)
Increase (decrease) in accrued liabilities	(1,824)	(436)	(3,713)
Increase (decrease) in claims and judgments	176,306	-	-
Increase (decrease) in compensated absences	(2,802)	6,304	(13,845)
Total Adjustments	188,388	46,021	4,695
Net Cash Provided (Used) by Operating Activities	\$ (285,364)	\$ 147,165	\$ (58,747)
Non-Cash Investing, Capital, and Financing Activities:			
Gain/(Loss) on disposition of capital assets	\$ -	\$ 2,322	\$ -

CITY OF BANNING

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2010

	Utility Billing Accounting & Collection	Totals
Cash Flows from Operating Activities:		
Cash received from interfund service provided	\$ 1,400,436	\$ 4,370,450
Cash paid to supplies for goods and services	(511,818)	(2,124,521)
Cash paid to employees for services	(806,108)	(1,447,440)
Cash paid for claims	-	(912,925)
Net Cash Provided (Used) by Operating Activities	82,510	(114,436)
Cash Flows from Non-Capital Financing Activities:		
Intergovernmental	-	15,359
Miscellaneous	-	177,158
Net Cash Provided (Used) by Non-Capital Financing Activities	-	192,517
Cash Flows from Capital and Related Financing Activities:		
Acquisition and construction of capital assets	-	2,322
Net Cash Provided (Used) by Capital and Related Financing Activities	-	2,322
Cash Flows from Investing Activities:		
Interest received	6,472	75,435
Net Cash Provided (Used) by Investing Activities	6,472	75,435
Net Increase (Decrease) in Cash and Cash Equivalents	88,982	155,838
Cash and Cash Equivalents at Beginning of Year	541,833	3,512,435
Cash and Cash Equivalents at End of Year	\$ 630,815	\$ 3,668,273
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$ 58,589	\$ (377,461)
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:		
Depreciation	21,819	58,073
(Increase) decrease in accounts receivable	12,033	(4,182)
(Increase) decrease in loans receivable	805	805
(Increase) decrease in inventories	-	515
Increase (decrease) in accounts payable	15,787	74,347
Increase (decrease) in accrued liabilities	(11,929)	(17,902)
Increase (decrease) in claims and judgments	-	176,306
Increase (decrease) in compensated absences	(14,594)	(24,937)
Total Adjustments	23,921	263,025
Net Cash Provided (Used) by Operating Activities	\$ 82,510	\$ (114,436)
Non-Cash Investing, Capital, and Financing Activities:		
Gain/(Loss) on disposition of capital assets	\$ -	\$ 2,322

CITY OF BANNING

**COMBINING BALANCE SHEET
ALL AGENCY FUNDS
JUNE 30, 2010**

	Sun Lake CFD 86-1	Special AD 91-1	Area Police Computer	Fair Oaks AD 2004-1	Cameo Homes	Totals
Assets:						
Cash and investments	\$ 34,558	\$ 327,561	\$ 45,877	\$ 146,937	\$ 45,176	\$ 600,109
Receivables:						
Accrued interest	73	548	100	209	95	1,025
Due from other governments	-	20,879	-	19,648	-	40,527
Restricted assets:						
Cash with fiscal agents	-	265,603	-	216,957	-	482,560
Total Assets	\$ 34,631	\$ 614,591	\$ 45,977	\$ 383,751	\$ 45,271	\$ 1,124,221
Liabilities:						
Accounts payable	\$ -	\$ -	\$ 32,577	\$ 2,500	\$ -	\$ 35,077
Deposits payable	-	4,701	-	-	40,000	44,701
Due to bondholders	34,631	609,890	13,400	381,251	5,271	1,044,443
Total Liabilities	\$ 34,631	\$ 614,591	\$ 45,977	\$ 383,751	\$ 45,271	\$ 1,124,221

CITY OF BANNING

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
YEAR ENDED JUNE 30, 2010

	Balance 7/1/2009	Additions	Deductions	Balance 6/30/2010
<u>Sun Lake CFD 86-1</u>				
Assets:				
Cash and investments	\$ 34,159	\$ 432	\$ 33	\$ 34,558
Receivables:				
Accrued interest	119	166	212	73
Total Assets	\$ 34,278	\$ 598	\$ 245	\$ 34,631
Liabilities:				
Due to bondholders	\$ 34,278	\$ 427	\$ 74	\$ 34,631
Total Liabilities	\$ 34,278	\$ 427	\$ 74	\$ 34,631
<u>Special AD 91-1</u>				
Assets:				
Cash and investments	\$ 295,505	\$ 528,737	\$ 496,681	\$ 327,561
Receivables:				
Accrued interest	800	2,024	2,276	548
Due from other governments	21,655	42,535	43,311	20,879
Restricted assets:				
Cash with fiscal agents	265,731	366	494	265,603
Total Assets	\$ 583,691	\$ 573,662	\$ 542,762	\$ 614,591
Liabilities:				
Deposits payable	\$ 3,474	\$ 1,227	\$ -	\$ 4,701
Due to bondholders	580,217	526,184	496,511	609,890
Total Liabilities	\$ 583,691	\$ 527,411	\$ 496,511	\$ 614,591
<u>Area Police Computer</u>				
Assets:				
Cash and investments	\$ 49,469	\$ 54,893	\$ 58,485	\$ 45,877
Receivables:				
Accrued interest	171	231	302	100
Total Assets	\$ 49,640	\$ 55,124	\$ 58,787	\$ 45,977
Liabilities:				
Accounts payable	\$ 1,877	\$ 83,087	\$ 52,387	\$ 32,577
Due to bondholders	47,763	74,800	109,163	13,400
Total Liabilities	\$ 49,640	\$ 157,887	\$ 161,550	\$ 45,977

CITY OF BANNING

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
YEAR ENDED JUNE 30, 2010

	Balance 7/1/2009	Additions	Deductions	Balance 6/30/2010
<u>Fair Oaks AD 2004-1</u>				
Assets:				
Cash and investments	\$ 122,530	\$ 325,830	\$ 301,423	\$ 146,937
Receivables:				
Accrued interest	265	456	512	209
Due from other governments	37,163	19,648	37,163	19,648
Restricted assets:				
Cash and investments with fiscal agents	216,851	55,762	55,656	216,957
Total Assets	\$ 376,809	\$ 401,696	\$ 394,754	\$ 383,751
Liabilities:				
Accounts payable	\$ -	\$ 14,760	\$ 12,260	\$ 2,500
Due to bondholders	376,809	669,133	664,691	381,251
Total Liabilities	\$ 376,809	\$ 683,893	\$ 676,951	\$ 383,751
<u>Cameo Homes</u>				
Assets:				
Cash and investments	\$ 44,656	\$ 520	\$ -	\$ 45,176
Receivables:				
Accrued interest	155	217	277	95
Total Assets	\$ 44,811	\$ 737	\$ 277	\$ 45,271
Liabilities:				
Deposits payable	\$ 40,000	\$ -	\$ -	\$ 40,000
Due to bondholders	4,811	558	98	5,271
Total Liabilities	\$ 44,811	\$ 558	\$ 98	\$ 45,271
<u>Totals - All Agency Funds</u>				
Cash and investments	\$ 546,319	\$ 910,412	\$ 856,622	\$ 600,109
Receivables:				
Accrued interest	1,510	3,094	3,579	1,025
Due from other governments	58,818	62,183	80,474	40,527
Restricted assets:				
Cash with fiscal agents	482,582	56,128	56,150	482,560
Total Assets	\$ 1,089,229	\$ 1,031,817	\$ 996,825	\$ 1,124,221
Liabilities:				
Accounts payable	\$ 1,877	\$ 97,847	\$ 64,647	\$ 35,077
Deposits payable	43,474	1,227	-	44,701
Due to bondholders	1,043,878	1,271,102	1,270,537	1,044,443
Total Liabilities	\$ 1,089,229	\$ 1,370,176	\$ 1,335,184	\$ 1,124,221