

CITY OF BANNING, CALIFORNIA
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of 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, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Banning, California'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 in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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, California, as of June 30, 2012, and the respective changes in financial position, and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

We would like to draw the reader's attention to Note 17 – "Successor Agency Trust for Assets of the Former Redevelopment Agency". The note provides information on the dissolution of the Redevelopment Agency and the new formed Successor Agency.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2013, on our consideration of the City of Banning, California's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with



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

auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Banning, California's financial statements as a whole. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Lance, Soll & Lughard, LLP

Brea, California
May 8, 2013



MANAGEMENT'S DISCUSSION AND ANALYSIS

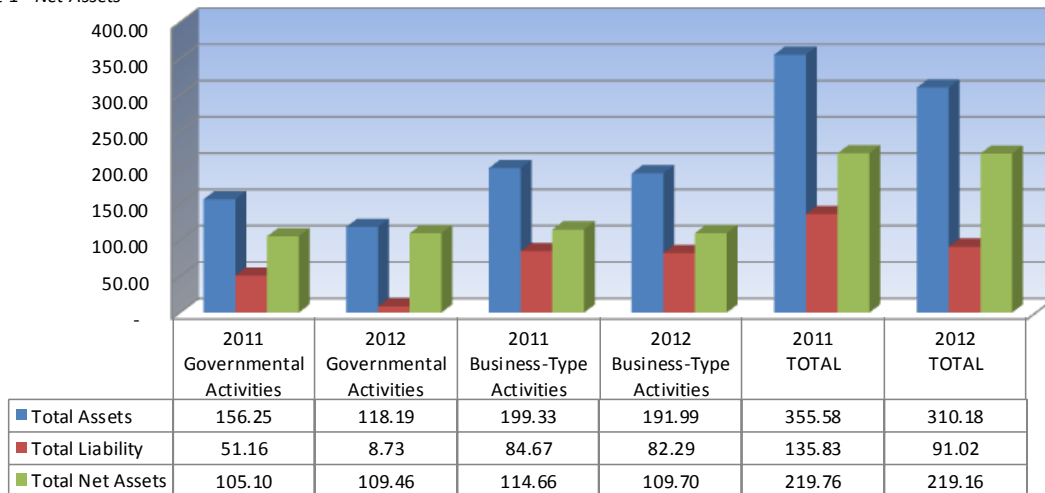
The management of the City of Banning (City) presents this narrative overview and analysis of the financial activities of the City for fiscal year ended June 30, 2012 (FY12). This discussion is intended to provide an introduction to the city's basic financial statements, as well as a financial comparison with the fiscal year ended June 30, 2011 (FY11). 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 FY12 was \$219.16 million (see Chart 1). "Net Assets" represents the difference between the City's resources (total assets) and its obligations (total liabilities).
- The City's Net Assets decreased by \$.60 million, or approximately 0.27% during the fiscal year. The Net Assets of the Governmental Activities increased by \$4.36 million, or approximately 4.15%, and the Net Assets of the Business-Type Activities decreased by \$4.96 million, or approximately 4.33%.
- Total assets and liabilities decreased in FY12 due to changes in reporting requirements as a result of the dissolution of the Banning Community Redevelopment Agency (CRA).

Chart 1 - Net Assets



STATEMENT OF ACTIVITIES

- During FY12, the City had revenues that were \$5.75 million less than the \$24.33 million in expenses recorded by the City in its Governmental Activities (excluding a \$2.83 million extraordinary gain resulting from the dissolution of the CRA and \$0.29 million from transfers).
- In the City's Business-Type Activities, revenues were \$2.32 million greater than the \$45.40 million in expenses recorded.

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 the 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.

- **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.
- **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 Financial Statements can be divided into three categories:

- ***Governmental 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, the Combining Statements 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

The Government-Wide Financial Statements presents both long-term and short-term information about the City's overall financial picture. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

- The **Statement of Net Assets** presents information on all of the City's assets and liabilities, with the difference between the two reported as Net Assets. This is one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's Net Assets may serve as an indicator of whether or not its financial health is improving or deteriorating.
- The **Statement of Activities** presents information on how the City's Net Assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods; (e.g., uncollected taxes or earned but unused vacation leaves, such as compensated absences).

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 fund 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, but also legally separate component units such as the Banning Community Redevelopment Agency (which was dissolved as of January 31, 2012 through the California Supreme Court decision on Assembly Bill 1X 26; for additional details regarding the dissolution of the Banning Community Redevelopment Agency, please refer to Note 17 in the Notes to Financial Statements), 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.

THE CITY AS A WHOLE

Table 1 summarizes the Statement of Net Assets and provides a comparison with FY11. However, the focus of the analysis relates to the Changes in Net Assets.

NET ASSETS

Net Assets represent the difference between the City's resources (total assets) and its obligations (total liabilities). Over time, Net Assets may serve as an indication of a government's financial position. 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 | | Government-Wide Totals | | % CHG |
|---------------------------------|-------------------------|------------------|--------------------------|------------------|------------------------|------------------|---------------|
| | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | |
| Current and other assets | 50.12 | 24.17 | 91.04 | 85.35 | 141.15 | 109.52 | -22.4% |
| Capital assets | 106.14 | 94.03 | 108.30 | 106.63 | 214.43 | 200.66 | -6.4% |
| TOTAL ASSETS | \$ 156.25 | \$ 118.19 | \$ 199.33 | \$ 191.99 | \$ 355.58 | \$ 310.18 | -12.8% |
| Long-term liabilities | | | | | | | |
| outstanding | 46.77 | 5.34 | 80.27 | 78.37 | 127.04 | 83.71 | -34.1% |
| Other liabilities | 4.39 | 3.40 | 4.40 | 3.92 | 8.79 | 7.31 | -16.8% |
| TOTAL LIABILITIES | \$ 51.16 | \$ 8.73 | \$ 84.67 | \$ 82.29 | \$ 135.83 | \$ 91.02 | -33.0% |
| Net assets: | | | | | | | |
| Invested in capital assets | | | | | | | |
| net of related debt | 61.12 | 92.99 | 55.50 | 55.53 | 116.62 | 148.51 | 27.3% |
| Restricted for: | | | | | | | |
| Community Development Projects* | - | 4.74 | - | - | - | 4.74 | - |
| Public Safety | 0.53 | 0.53 | - | - | 0.53 | 0.53 | -1.2% |
| Public Works | 2.46 | 2.21 | - | - | 2.46 | 2.21 | -10.4% |
| Capital Projects | 14.94 | 0.38 | 21.15 | 21.16 | 36.09 | 21.54 | -40.3% |
| Debt Service | 1.03 | | 5.67 | 5.42 | 6.69 | 5.42 | -19.0% |
| Parks and Recreation | 0.09 | 0.09 | - | - | 0.09 | 0.09 | 0.8% |
| Unrestricted | 24.92 | 8.52 | 32.34 | 27.58 | 57.26 | 36.11 | -36.9% |
| TOTAL NET ASSETS | \$ 105.10 | \$ 109.46 | \$ 114.66 | \$ 109.70 | \$ 219.76 | \$ 219.16 | -0.3% |

**Did not exist as a category in 2011. Represents the Housing Authority*

The City's Government-Wide Total Net Assets were \$219.16 million, with assets of \$310.18 million and liabilities of \$91.02 million. The net investment in capital assets of \$148.51 million represents 67.76% of the City's Total Net Assets. This is an increase of \$31.89 million from the previous year. Investment in capital assets (e.g., infrastructure, land, structures and improvements, furniture and equipment) for this purpose is reduced by any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported Net of Related Debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate these liabilities.

The portion of the City's Net Assets subject to external restrictions in how they may be used is \$34.53 million (15.76% of the Total Net Assets). The Restricted Net Assets include Community

Development Projects, Public Safety, Public Works, Capital Projects, Debt Service, and Parks and Recreation. The remaining Unrestricted Net Assets balance of \$36.11 million (16.48% of the Total Net Assets) may be used to meet the government's ongoing obligations to citizens and creditors within the program areas.

The significant decreases in Assets & Liabilities are due to changes in reporting requirements as a result of the dissolution of the Banning Community Redevelopment Agency (CRA). In 2011, the CRA was reported as a Governmental Activity. The activity for the Successor Agency is now reported as a Fiduciary Fund (see Note 17 in Notes to Financial Statements for further details).

CHANGES IN NET ASSETS

Table 2 summarizes the information on the Statement of Activity. It provides a two year comparison of the Governmental and Business-Type activities. Under Governmental Activities, the City's Net Assets decreased by \$5.75 million from the prior year, offset by \$2.83 million extraordinary gain from the dissolution of the Banning Community Redevelopment Agency and \$0.29 million from Transfers; resulting in a decrease in net assets of \$2.64 million.

Table 2 - Statement of Activity

| | Governmental Activities | | Business-Type Activities | | Government-Wide Totals | |
|---|-------------------------|---------------|--------------------------|--------------|------------------------|---------------|
| | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 |
| Revenues | | | | | | |
| Program Revenues: | | | | | | |
| Charges for Services | 3.56 | 4.12 | 41.52 | 43.72 | 45.07 | 47.83 |
| Operating Contributions and Grants | 5.55 | 1.79 | 2.59 | 1.71 | 8.15 | 3.49 |
| Capital Contributions and Grants | 1.06 | 0.98 | - | - | 1.06 | 0.98 |
| Subtotal Program Revenues | 10.17 | 6.89 | 44.11 | 45.42 | 54.28 | 52.31 |
| General Revenues: | | | | | | |
| Property Taxes | 8.37 | 5.57 | - | - | 8.37 | 5.57 |
| Sales Taxes | 2.67 | 3.00 | - | - | 2.67 | 3.00 |
| Business Licenses Taxes | 0.15 | 0.16 | - | - | 0.15 | 0.16 |
| Franchise Taxes | 0.80 | 0.82 | - | - | 0.80 | 0.82 |
| Transient Occupancy Taxes | 0.51 | 0.59 | - | - | 0.51 | 0.59 |
| Other Taxes | 0.34 | 0.21 | - | - | 0.34 | 0.21 |
| Motor Vehicle In-Lieu | 0.09 | 0.08 | - | - | 0.09 | 0.08 |
| Use of Money and Property | 0.79 | 0.57 | 0.48 | 0.23 | 1.27 | 0.80 |
| Other | 0.60 | 0.70 | 1.31 | 2.07 | 1.91 | 2.77 |
| Gain on sale of capital asset | - | - | - | 0.00 | - | 0.00 |
| Subtotal General Revenues | 14.31 | 11.69 | 1.79 | 2.31 | 16.10 | 13.99 |
| TOTAL REVENUES | 24.48 | 18.57 | 45.90 | 47.73 | 70.38 | 66.30 |
| Expenses | | | | | | |
| General Government | 6.43 | 3.03 | - | - | 6.43 | 3.03 |
| Public Safety | 10.52 | 11.80 | - | - | 10.52 | 11.80 |
| Community Development | - | 0.29 | - | - | - | 0.29 |
| Parks and Recreation | 1.07 | 1.10 | - | - | 1.07 | 1.10 |
| Public Works | 6.73 | 6.85 | - | - | 6.73 | 6.85 |
| Interest on Long-term debt | 2.14 | 1.26 | - | - | 2.14 | 1.26 |
| Airport | - | - | 0.49 | 0.45 | 0.49 | 0.45 |
| Transit | - | - | 1.40 | 1.52 | 1.40 | 1.52 |
| Electric Utility | - | - | 30.60 | 29.46 | 30.60 | 29.46 |
| BUA Water | - | - | 7.50 | 7.79 | 7.50 | 7.79 |
| BUA Wastewater | - | - | 2.94 | 3.14 | 2.94 | 3.14 |
| Refuse | - | - | 3.04 | 3.05 | 3.04 | 3.05 |
| TOTAL EXPENSES | 26.89 | 24.33 | 45.97 | 45.40 | 72.86 | 69.73 |
| Increase/(Decrease) in Net Assets Before Transfers and Extraordinary Items | (2.41) | (5.75) | (0.07) | 2.32 | (2.48) | (3.43) |
| Transfers | 0.71 | 0.29 | (0.71) | (0.29) | - | - |
| Extraordinary Gain on Dissolution of Redevelopment Agency | - | 2.83 | - | - | - | 2.83 |
| Increase/(Decrease) in Net Assets | (1.70) | (2.64) | (0.79) | 2.04 | (2.48) | (0.60) |

REVENUES

The total Government-Wide Activity revenues (Table 2) for FY12 were \$66.30 million, of which \$18.57 million is from Governmental Activities, and \$47.73 million is from Business-Type Activities. Compared to FY11, total revenues decreased \$4.08 million from \$70.38 million.

Overall, Table 2 shows that Total Revenues have decreased by 5.80%. Property Taxes, which are considered General Revenues, is the largest revenue at \$5.57 million. This revenue category experienced a decrease of \$2.8 million from the prior year of \$8.37 million, or 33.4%, primarily due to the dissolution of the CRA on January 31, 2012; the main revenue stream of the former CRA was property taxes. The other major area with a decrease was in Operating Grants and Contributions, due to grants received in FY11 that were not renewable or ongoing into FY12.

EXPENSES

The Government-Wide expenses totaled \$69.73 million, a decrease of 4.30% over FY11 (see Table 2). The Governmental Activities totaled \$24.33 million, or 34.89% of total expenses. Governmental Activities are grouped by functional activity. General Government includes Administration, City Clerk, City Treasurer, Finance, and Human Resources. Public Safety includes Police and Fire services. Community Development is the Housing Authority.

Business-Type Activities totaled \$45.40 million, accounting for 65.11% of total expenses and a decrease of 1.24% over FY11. Business-Type Activities are also grouped by functional activity. These typically represent activities performed in exchange for a fee. The functional activities are Airport, Transit, Electric Utility, Water, Wastewater, and Refuse.

GOVERNMENTAL ACTIVITIES

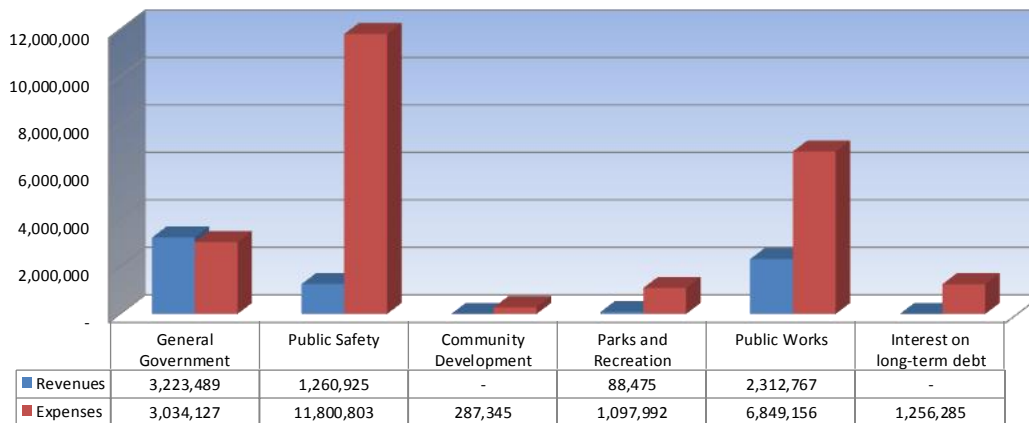
Most of the City's basic services are classified as Governmental Activities. Governmental Activities are financed by Taxes, Revenues from Other Government Agencies, State/Federal Grants, and Charges for Services. The following presents the cost of each of the City's five largest programs – General Government, Public Safety, Public Works, Community Development (newly added Housing Authority), 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 Revenues (Expenses) show the financial burden that was placed on the City's taxpayers by each of these functions (see Table 3).

Table 3 - Program Net Cost: Government Activities

| | Program Revenues | | | Total Cost of Services | | | Net Revenues (Expenses) | | |
|--|------------------|------------|-------|------------------------|------------|-------|-------------------------|--------------|-------|
| | 2011 | 2012 | % Chg | 2011 | 2012 | % Chg | 2011 | 2012 | % Chg |
| General Government | 5,367,233 | 3,223,489 | -40% | 6,431,942 | 3,034,127 | -53% | (1,064,709) | 189,362 | -118% |
| Public Safety | 2,261,855 | 1,260,925 | -44% | 10,520,747 | 11,800,803 | 12% | (8,258,892) | (10,539,878) | 28% |
| Community Development | - | - | - | - | 287,345 | - | - | (287,345) | - |
| Parks and Recreation | 154,977 | 88,475 | -43% | 1,067,744 | 1,097,992 | 3% | (912,767) | (1,009,517) | 11% |
| Public Works | 2,384,512 | 2,312,767 | -3% | 6,731,319 | 6,849,156 | 2% | (4,346,807) | (4,536,389) | 4% |
| Interest on long-term debt | - | - | - | 2,135,671 | 1,256,285 | -41% | (2,135,671) | (1,256,285) | -41% |
| Government Subtotal | 10,168,577 | 6,885,656 | -32% | 26,887,423 | 24,325,708 | -10% | (16,718,846) | (17,440,052) | 4% |
| *General Revenues | 15,023,710 | 11,976,336 | -20% | - | - | - | 15,023,710 | 11,976,336 | -20% |
| SUBTOTAL | 25,192,287 | 18,861,992 | -25% | 26,887,423 | 24,325,708 | -10% | (1,695,136) | (5,463,716) | 222% |
| Extraordinary Gain/(loss) on dissolution of redevelopment agency | - | 2,828,520 | - | - | - | - | - | 2,828,520 | - |
| TOTAL | 25,192,287 | 21,690,512 | -14% | 26,887,423 | 24,325,708 | -10% | (1,695,136) | (2,635,196) | 55% |

*Less revenue and expense from extraordinary gain/(loss) on dissolution of redevelopment agency

Chart 2 – Governmental Activities Program Revenue & Expenses



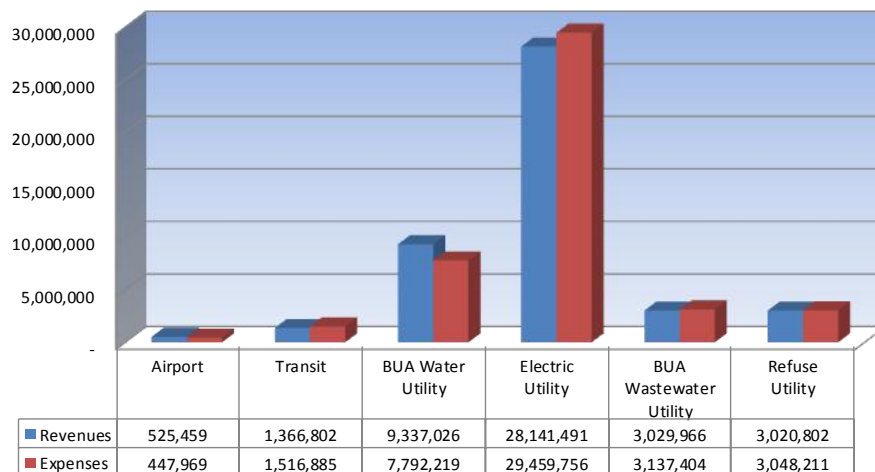
BUSINESS-TYPE ACTIVITIES

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, BUA Water Utility, Electric Utility, BUA Wastewater Utility, and Refuse Utility - as well as each program's *net* cost (total cost less revenues generated by the activities). The Net Revenues (Expenses) show the financial burden that was placed on the City's taxpayers by each of these functions (see Table 4).

Table 4 - Program Net Cost: Business-Type Activities

| | Program Revenues | | | Total Cost of Services | | | Net Revenues (Expenses) | | |
|------------------------|------------------|------------|-------|------------------------|------------|-------|-------------------------|-------------|-------|
| | 2011 | 2012 | % Chg | 2011 | 2012 | % Chg | 2011 | 2012 | % Chg |
| Airport | 687,840 | 525,459 | -24% | 489,011 | 447,969 | -8% | 198,829 | 77,490 | -61% |
| Transit | 2,078,906 | 1,366,802 | -34% | 1,395,621 | 1,516,885 | 9% | 683,285 | (150,083) | -122% |
| BUA Water Utility | 7,590,563 | 9,337,026 | 23% | 7,503,288 | 7,792,219 | 4% | 87,275 | 1,544,807 | 1670% |
| Electric Utility | 27,888,822 | 28,141,491 | 1% | 30,602,082 | 29,459,756 | -4% | (2,713,260) | (1,318,265) | -51% |
| BUA Wastewater Utility | 2,818,690 | 3,029,966 | 7% | 2,938,904 | 3,137,404 | 7% | (120,214) | (107,438) | -11% |
| Refuse Utility | 3,044,149 | 3,020,802 | -1% | 3,040,225 | 3,048,211 | 0% | 3,924 | (27,409) | -798% |
| Business Subtotal | 44,108,970 | 45,421,546 | 3% | 45,969,131 | 45,402,444 | -1% | (1,860,161) | 19,102 | -101% |
| General Revenues | 1,074,959 | 2,018,619 | 88% | - | - | - | 1,074,959 | 2,018,619 | 88% |
| TOTAL | 45,183,929 | 47,440,165 | 5% | 45,969,131 | 45,402,444 | -1% | (785,202) | 2,037,721 | -360% |

Chart 3 – Business-Type Activities Program Revenue & Expense



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 uses fund accounting to and demonstrate and ensure 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.

GOVERNMENTAL FUNDS

Governmental Funds are used to account for essentially the same functions reported as Governmental Activities in the Government-Wide Financial Statements. However, unlike the Government-Wide Financial Statements, Governmental Fund Financial Statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's short-term financing requirements.

Because the focus of Governmental Funds is narrower than that of the Government-Wide Financial Statements, it is useful to compare the information presented for Governmental Funds with similar information presented for Governmental Activities in the Government-Wide Financial Statements. By doing so, readers may better understand the long-term impact of the City's short-term financing decisions. The Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between Governmental Funds and Governmental Activities.

The City maintains twenty-six individual governmental funds. These funds report financial transactions using the modified accrual accounting method. Information for the City's General Fund is presented separately in the Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances. The General Fund is considered to be a Major Governmental Fund. Data for other Non-Major Governmental Funds are combined into a single presentation as part of the additional required supplementary information. Individual fund data for each of these Non-Major Governmental Funds is provided in the form of Combining Statements which follow the Notes to Financial Statements.

The City adopts an annual appropriated budget which includes the General Fund, Special Revenue Funds, Capital Project Funds, and Debt Service Funds. A budgetary comparison statement has been provided for each of the funds to demonstrate compliance with this budget.

GOVERNMENTAL REVENUES

Table 5 below presents a summary of Governmental Fund Revenues for the fiscal year ended June 30, 2012, with comparative amounts from the prior year. Revenues of Governmental Funds for Fiscal Year 2012 were \$17.98 million, which is a decrease of \$3.21 million or 15.14% compared to the previous fiscal year. The decrease in governmental revenue is primarily attributable to the loss in Redevelopment taxes for the second half of the fiscal year. Other significant changes were in the following categories: Intergovernmental revenues decreased by \$0.85 million due to onetime grants received in FY11. Charges for Services increased by \$0.63 million, primarily due to increases in Electric revenues. Use of Money & Property decreased by \$0.23 million due to declining interest rates. The significant reduction in tax revenue is due to the loss of the Redevelopment Agency property tax increment for part of the year. Successor Agency activity is now reported as a Fiduciary Fund.

Table 5 - Comparison of Governmental Revenues

| | 2010-11 | % of Total Revenues | 2011-12 | % of Total Revenues | \$ Increase / (Decrease) | % Increase / (Decrease) |
|-------------------------|-------------------|------------------------|-------------------|------------------------|-----------------------------|----------------------------|
| Taxes | 12,804,034 | 60.44% | 10,333,746 | 57.48% | (2,470,288) | -19.29% |
| Licenses & Permits | 162,683 | 0.77% | 137,689 | 0.77% | (24,994) | -15.36% |
| Intergovernmental | 3,663,222 | 17.29% | 2,812,139 | 15.64% | (851,083) | -23.23% |
| Charges for Services | 2,983,132 | 14.08% | 3,608,617 | 20.07% | 625,485 | 20.97% |
| Use of Money & Property | 764,035 | 3.61% | 536,753 | 2.99% | (227,282) | -29.75% |
| Fines and Forfeitures | 404,274 | 1.91% | 292,192 | 1.63% | (112,082) | -27.72% |
| Miscellaneous | 404,729 | 1.91% | 257,406 | 1.43% | (147,323) | -36.40% |
| TOTAL | 21,186,109 | 100.00% | 17,978,542 | 100.00% | (3,207,567) | -15.14% |

GOVERNMENTAL EXPENDITURES

Total expenditures for Fiscal Year 2012 were \$22.47 million, a decrease of \$7.52 million or 25.08 percent from the prior year. The major reductions in expenditures include a decrease in General Government of \$3.55 million, in Capital Outlay of \$1.01 million and in Debt Service of \$3.94 million. All of these relate primarily to the changes in reporting required by the elimination of the Banning Community Redevelopment Agency. Successor Agency activity is now reported as a Fiduciary Fund.

Table 6 - Comparison of Governmental Expenditures

| | 2010-11 | % of Total Revenues | 2011-12 | % of Total Revenues | \$ Increase / (Decrease) | % Increase / (Decrease) |
|-------------------------------|-------------------|------------------------|-------------------|------------------------|-----------------------------|----------------------------|
| General Government | 6,216,291 | 20.72% | 2,668,160 | 11.87% | (3,548,131) | -57.08% |
| Public Safety | 9,527,866 | 31.77% | 10,295,109 | 45.82% | 767,243 | 8.05% |
| Community Development | - | 0.00% | 287,345 | 1.28% | 287,345 | - |
| Parks and Recreation | 632,859 | 2.11% | 658,765 | 2.93% | 25,906 | 4.09% |
| Public Works | 2,316,524 | 7.72% | 2,260,310 | 10.06% | (56,214) | -2.43% |
| Operating Expenditures | 18,693,540 | 62.32% | 16,169,689 | 71.96% | (2,523,851) | -47.36% |
| Capital Outlay | 4,182,225 | 13.94% | 3,126,606 | 13.91% | (1,055,619) | -25.24% |
| Debt Service | 7,119,076 | 23.73% | 3,174,486 | 14.13% | (3,944,590) | -55.41% |
| TOTAL | 29,994,841 | 100.00% | 22,470,781 | 100.00% | (7,524,060) | -25.08% |

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 Financial 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. The City excludes 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 Fiduciary Funds now include all of the funds related to the Successor Agency of the Former Redevelopment Agency, which was formed upon dissolution of the Banning Community Redevelopment Agency (CRA). The Successor Agency is subject to the control of the newly established oversight board and can only pay enforceable obligations in existence at the date of dissolution. Furthermore, it will hold the remaining assets of the former Redevelopment Agency until the enforceable obligations are legally satisfied or they are distributed to local taxing entities. Additional information on the dissolution of the CRA can be found in the Footnotes To The Financial Statement (Note 17).

FINANCIAL ANALYSIS OF THE GENERAL FUND

The City Council committed \$2.34 million as an emergency contingency in the General Fund. Funds classified as Nonspendable total \$0.04 million, for items such as land held for resale, loans receivable and advances to other funds. Funds classified as Assigned total \$1.15 million for public safety, parks and recreation, public works, general government, future compensated absences, gas tax commitment, and PEG. Any remaining fund balance is identified as Unassigned. The terminology and presentation of fund balance has changed with the implementation of GASB 54.

GENERAL FUND – REVENUE AND EXPENDITURE ANALYSIS

For Fiscal Year 2012, General Fund revenues were \$13.66 million. Table 7 shows a decrease of \$9.76 million of which \$3.46 million related to entries required to record the refinancing of the City Hall lease debt and \$6.02 million transfer in to the General Fund of CRA land assets in 2011. Other ongoing revenues showed a net decrease of approximately \$400,000. Property taxes have shown a decline each of the years represented in this table. The other major changes were a decrease in Other Taxes due to changes in towing revenue and Intergovernmental due to a decrease of approximately \$1 million in TASIN funding that was received in 2011. Two revenue sources that

showed an increase were Charges for Services due to changes in Electric revenues and Use of Money shows an increase due to reporting changes with the City Hall lease.

Table 7 - General Fund Revenues

| | 2009-10 | 2010-11 | 2011-12 | % of Total | \$ Increase / (Decrease) to Last Year | % of Increase (Decrease) |
|------------------------------------|------------|------------|------------|------------|---|--------------------------------|
| Property Tax | 4,263,611 | 3,852,014 | 3,681,435 | 26.96% | (170,579) | -4.43% |
| Sales Tax | 1,993,985 | 2,130,506 | 2,291,515 | 16.78% | 161,009 | 7.56% |
| Transient Occupancy Tax | 340,047 | 506,074 | 586,083 | 4.29% | 80,009 | 15.81% |
| Franchise | 755,797 | 800,346 | 819,203 | 6.00% | 18,857 | 2.36% |
| Other Taxes | 280,772 | 358,093 | 240,891 | 1.76% | (117,202) | -32.73% |
| License & Permits | 171,010 | 162,683 | 137,689 | 1.01% | (24,994) | -15.36% |
| Intergovernmental | 484,908 | 1,301,881 | 315,724 | 2.31% | (986,157) | -75.75% |
| Charges for Services | 2,939,090 | 2,982,831 | 3,608,457 | 26.42% | 625,626 | 20.97% |
| Use of Money & Property | 97,051 | 99,147 | 482,199 | 3.53% | 383,052 | 386.35% |
| Fines & Forfeitures | 339,797 | 404,274 | 292,192 | 2.14% | (112,082) | -27.72% |
| Transfers In | 2,097,000 | 7,027,511 | 1,010,514 | 7.40% | (6,016,997) | -85.62% |
| Miscellaneous | 291,174 | 337,011 | 191,374 | 1.40% | (145,637) | -43.21% |
| Refunding Debt Issued | - | 3,455,000 | - | - | (3,455,000) | -100.00% |
| Gain on disposal of capital assets | 2,688 | - | - | - | - | - |
| TOTALS | 14,056,930 | 23,417,371 | 13,657,276 | 100.00% | (9,760,095) | -41.68% |

For Fiscal Year 2012, General Fund expenditures were \$22.24 million. Table 8 shows a net increase of \$5.74 million of which the Transfers Out line item represents the largest amount. Of the 2012 Transfer Out amount of \$8.11 million, approximately \$6 million relates to the reversal of the 2011 transfer in to the General Fund of the CRA land assets, and the remainder is the transfer out to the Insurance Fund in the amount of \$1.8 million to cover costs associated with the oil spill cleanup. The Public Safety line item shows net increases of over \$0.69 million related to TASIN funding expenditures. The Debt Service line item relates to the City Hall lease and shows an increase due to the reporting changes due to the refinancing of the lease and as a result of the elimination of the Redevelopment Agency. The debt had previously been reported as an Agency debt.

Table 8 - General Fund Expenditures

| | 2009-10 | 2010-11 | 2011-12 | % of Total | \$ Increase / (Decrease) to Last Year | % of Increase (Decrease) |
|-----------------------------|------------|------------|------------|------------|---|--------------------------------|
| General Government | 1,825,908 | 2,074,266 | 1,815,990 | 8.17% | (258,276) | -12.45% |
| Public Safety | 9,343,795 | 9,048,645 | 9,735,506 | 43.77% | 686,861 | 7.59% |
| Parks and Recreation | 861,840 | 592,552 | 628,153 | 2.82% | 35,601 | 6.01% |
| Public Works | 1,134,852 | 996,291 | 1,264,178 | 5.68% | 267,887 | 26.89% |
| Capital Outlay | 506,582 | 338,834 | 252,322 | 1.13% | (86,512) | -25.53% |
| Debt Service | - | 9,916 | 435,545 | 1.96% | 425,629 | 4292.35% |
| Transfers Out | 257,735 | 3,358,287 | 8,108,616 | 36.46% | 4,750,329 | 141.45% |
| Refunding Debt Issued costs | - | 78,726 | - | - | (78,726) | -100.00% |
| TOTALS | 13,930,712 | 16,497,517 | 22,240,310 | 100.00% | 5,742,793 | 34.81% |

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 Final Budget differs from the Original 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 better 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 \$13.66 million were \$0.83 million less than the final budgeted revenues of \$14.48 million. The most significant variance was in Intergovernmental. In this category, the City budgeted a total of \$1.38 million, and the actual was \$0.32 million, primarily as a result of grants awarded but not yet received.

The General Fund actual ending expenditures of \$22.24 million were \$1.12 million less than the final budget of \$23.36 million. There were significant changes in the original budget compared to the final budget.

The City's General Fund appropriations increased \$9.74 million to \$22.24 million. This was primarily due to the CRA transfer of assets and the transfer to cover oil spill expenditures. Final expenditures were \$22.24 million. The City's General Fund showed a net decrease in fund balance of \$8.59 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

The City's investment in capital assets (Table 9) for its Governmental and Business-Type Activities as of June 30, 2012, is \$200.66 million (net of accumulated depreciation). This investment in capital assets includes land, structures and improvements, furniture and equipment, infrastructure and construction in progress. For more information, please refer to Note 5 in the Notes to the Financial Statements. The Capital Assets of the City are those assets which are used in the performance of the City's functions including infrastructure assets. Depreciation on capital assets is recognized in the Government-Wide Financial Statements.

Table 9 - Capital Assets by Activity

| | Governmental Activities | | | Business-Type Activities | | | Totals | | |
|--------------------------|-------------------------|------------|-------|--------------------------|-------------|-------|-------------|-------------|-------|
| | 2011 | 2012 | % Chg | 2011 | 2012 | % Chg | 2011 | 2012 | % Chg |
| Land | 6,345,170 | 3,061,900 | -52% | 1,184,229 | 1,184,229 | 0% | 7,529,399 | 4,246,129 | -44% |
| Construction in Progress | 3,501,022 | 3,270,346 | -7% | 2,611,379 | 2,959,632 | 13% | 6,112,401 | 6,229,978 | 2% |
| Building and Structures | 16,363,102 | 14,701,953 | -10% | 140,384 | 132,992 | -5% | 16,503,486 | 14,834,945 | -10% |
| Land Improvements | 5,435,953 | 3,937,379 | -28% | 1,821,884 | 1,684,458 | -8% | 7,257,837 | 5,621,837 | -23% |
| Machinery and Equipment | 1,624,820 | 1,486,962 | -8% | 5,243 | 1,308 | -75% | 1,630,063 | 1,488,270 | -9% |
| Vehicles | 694,727 | 365,123 | -47% | - | - | 0% | 694,727 | 365,123 | -47% |
| Utility Plant | - | - | - | 102,532,206 | 100,672,007 | -2% | 102,532,206 | 100,672,007 | -2% |
| Infrastructure | 72,172,366 | 67,204,390 | -7% | - | - | - | 72,172,366 | 67,204,390 | -7% |
| TOTAL | 106,137,160 | 94,028,053 | -11% | 108,295,325 | 106,634,626 | -2% | 214,432,485 | 200,662,679 | -6% |

DEBT

At year-end, the City's Governmental Activities had \$5.34 million in Compensated Absences, Claims and Judgments, and leases outstanding, while the Business-Type Activities had \$77.20 million in debt. Table 7 below is a summary of the City's long-term debt for the year ended June 30, 2012. The Redevelopment Tax Allocation Bonds and other loans are no longer reported as a Governmental Activity.

Debt in the Business-Type Activities consists of Water and Wastewater Revenue Bonds, Electric Revenue Bonds, a loan payable to the California Water Resources Control Board and Compensated Absences. For additional information on long-term debt refer to the Note 9 of the Notes to the Financial Statements.

Table 10 - Debt Recap

| | Governmental Activities | | | Business-Type Activities | | | Totals | | |
|----------------------|-------------------------|------------------|-------------|--------------------------|-------------------|------------|--------------------|-------------------|-------------|
| | 2011 | 2012 | % Chg | 2011 | 2012 | % Chg | 2011 | 2012 | % Chg |
| Compensated Absences | 1,234,291 | 1,272,510 | 3% | 652,169 | 675,586 | 4% | 1,886,460 | 1,948,096 | 3% |
| Tax Allocation Bonds | 40,780,000 | - | -100% | - | - | 0% | 40,780,000 | - | -100% |
| Refunding Lease | 3,455,000 | 3,147,156 | - | - | - | - | 3,455,000 | 3,147,156 | - |
| Revenue Bonds | - | - | 0% | 75,780,000 | 74,115,000 | -2% | 75,780,000 | 74,115,000 | -2% |
| Claims & Judgements | 926,590 | 917,420 | -1% | - | - | 0% | 926,590 | 917,420 | -1% |
| Loans | 1,133,602 | - | -100% | 2,649,445 | 2,414,042 | 0% | 3,783,047 | 2,414,042 | -36% |
| TOTAL | 47,529,483 | 5,337,086 | -89% | 79,081,614 | 77,204,628 | -2% | 126,611,097 | 82,541,714 | -35% |

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, 2012

| | Primary Government | | |
|--|----------------------------|-----------------------------|-----------------------|
| | Governmental Activities | Business-Type Activities | Total |
| Assets: | | | |
| Cash and investments | \$ 14,484,568 | \$ 45,446,331 | \$ 59,930,899 |
| Receivables: | | | |
| Accounts | 678,081 | 7,160,082 | 7,838,163 |
| Loans | 1,151,328 | 9,527 | 1,160,855 |
| Interest | 14,255 | 39,847 | 54,102 |
| Internal balances | 484,648 | (484,648) | - |
| Deposits | - | 1,158,458 | 1,158,458 |
| Due from other governments | 5,111,199 | 593,521 | 5,704,720 |
| Inventories | 60,715 | 1,957,442 | 2,018,157 |
| Deferred charges | 74,582 | 1,662,759 | 1,737,341 |
| Restricted assets: | | | |
| Cash and investments | - | 1,220,971 | 1,220,971 |
| Cash with fiscal agent | 2,106,730 | 26,586,939 | 28,693,669 |
| Capital assets not being depreciated | 6,332,246 | 4,143,861 | 10,476,107 |
| Capital assets, net of depreciation | 87,695,807 | 102,490,765 | 190,186,572 |
| Total Assets | 118,194,159 | 191,985,855 | 310,180,014 |
| Liabilities: | | | |
| Accounts payable | 1,218,017 | 2,378,339 | 3,596,356 |
| Accrued liabilities | 1,101,157 | 113,981 | 1,215,138 |
| Accrued interest | 19,637 | 496,884 | 516,521 |
| Unearned revenue | - | 177,038 | 177,038 |
| Deposits payable | 434,226 | 751,103 | 1,185,329 |
| Due to other governments | 623,513 | - | 623,513 |
| Noncurrent liabilities: | | | |
| Due within one year | 1,572,578 | 2,037,284 | 3,609,862 |
| Due in more than one year | 3,764,508 | 76,333,540 | 80,098,048 |
| Total Liabilities | 8,733,636 | 82,288,169 | 91,021,805 |
| Net Assets: | | | |
| Invested in capital assets, net of related debt | 92,987,626 | 55,526,327 | 148,513,953 |
| Restricted for: | | | |
| Community development projects | 4,744,941 | - | 4,744,941 |
| Public safety | 528,063 | - | 528,063 |
| Public works | 2,206,900 | - | 2,206,900 |
| Capital projects | 379,072 | 21,163,654 | 21,542,726 |
| Debt service | - | 5,423,285 | 5,423,285 |
| Parks and recreation | 92,425 | - | 92,425 |
| Unrestricted | 8,521,496 | 27,584,420 | 36,105,916 |
| Total Net Assets | \$ 109,460,523 | \$ 109,697,686 | \$ 219,158,209 |

CITY OF BANNING

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

| | | Program Revenues | | |
|---------------------------------------|----------------------|----------------------|--------------------------|--------------------------|
| | | Charges for | Operating | Capital |
| | Expenses | Services | Contributions and Grants | Contributions and Grants |
| Functions/Programs | | | | |
| Primary Government: | | | | |
| Governmental Activities: | | | | |
| General government | \$ 3,034,127 | \$ 3,205,141 | \$ 18,348 | \$ - |
| Public safety | 11,800,803 | 217,205 | 1,043,720 | - |
| Community development | 287,345 | - | - | - |
| Parks and Recreation | 1,097,992 | 74,475 | - | 14,000 |
| Public works | 6,849,156 | 619,606 | 725,209 | 967,952 |
| Interest on long-term debt | 1,256,285 | - | - | - |
| Total Governmental Activities | 24,325,708 | 4,116,427 | 1,787,277 | 981,952 |
| Business-Type Activities: | | | | |
| Airport | 447,969 | 238,187 | 287,272 | - |
| Transit | 1,516,885 | 132,349 | 1,234,453 | - |
| Banning Utility Authority Water | 7,792,219 | 9,190,547 | 146,479 | - |
| Electric Utility | 29,459,756 | 28,141,491 | - | - |
| Banning Utility Authority Wastewater | 3,137,404 | 3,029,966 | - | - |
| Refuse Utility | 3,048,211 | 2,983,206 | 37,596 | - |
| Total Business-Type Activities | 45,402,444 | 43,715,746 | 1,705,800 | - |
| Total Primary Government | \$ 69,728,152 | \$ 47,832,173 | \$ 3,493,077 | \$ 981,952 |

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
 Extraordinary gain/(loss) on dissolution
 of redevelopment agency (Note 17)
 Transfers

**Total General Revenues, Contributions,
Extraordinary Items 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 |
| \$ 189,362 | \$ - | \$ 189,362 |
| (10,539,878) | - | (10,539,878) |
| (287,345) | - | (287,345) |
| (1,009,517) | - | (1,009,517) |
| (4,536,389) | - | (4,536,389) |
| (1,256,285) | - | (1,256,285) |
| (17,440,052) | - | (17,440,052) |
| - | 77,490 | 77,490 |
| - | (150,083) | (150,083) |
| - | 1,544,807 | 1,544,807 |
| - | (1,318,265) | (1,318,265) |
| - | (107,438) | (107,438) |
| - | (27,409) | (27,409) |
| - | 19,102 | 19,102 |
| (17,440,052) | 19,102 | (17,420,950) |
| 5,571,836 | - | 5,571,836 |
| 586,083 | - | 586,083 |
| 2,996,039 | - | 2,996,039 |
| 819,203 | - | 819,203 |
| 156,161 | - | 156,161 |
| 214,993 | - | 214,993 |
| 75,220 | - | 75,220 |
| 571,715 | 232,120 | 803,835 |
| 697,915 | 2,073,661 | 2,771,576 |
| - | 9 | 9 |
| 2,828,520 | - | 2,828,520 |
| 287,171 | (287,171) | - |
| 14,804,856 | 2,018,619 | 16,823,475 |
| (2,635,196) | 2,037,721 | (597,475) |
| 105,095,719 | 114,659,965 | 219,755,684 |
| 7,000,000 | (7,000,000) | - |
| \$ 109,460,523 | \$ 109,697,686 | \$ 219,158,209 |

CITY OF BANNING

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

| | General | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|--------------------------------|--------------------------------|
| Assets: | | | |
| Pooled cash and investments | \$ 3,780,105 | \$ 7,132,256 | \$ 10,912,361 |
| Receivables: | | | |
| Accounts | 634,711 | 100 | 634,811 |
| Loans | 35,398 | 1,110,067 | 1,145,465 |
| Interest | 5,955 | 6,856 | 12,811 |
| Due from other governments | 1,569,505 | 3,540,249 | 5,109,754 |
| Due from other funds | 1,445,800 | - | 1,445,800 |
| Restricted assets: | | | |
| Cash and investments with fiscal agents | - | 2,106,730 | 2,106,730 |
| Total Assets | \$ 7,471,474 | \$ 13,896,258 | \$ 21,367,732 |
| Liabilities and Fund Balances: | | | |
| Liabilities: | | | |
| Accounts payable | \$ 514,812 | \$ 584,344 | \$ 1,099,156 |
| Accrued liabilities | 1,043,286 | 17,224 | 1,060,510 |
| Deferred revenues | 1,034,341 | 1,607,205 | 2,641,546 |
| Deposits payable | 333,022 | 100,276 | 433,298 |
| Due to other governments | 623,513 | - | 623,513 |
| Due to other funds | - | 1,731,500 | 1,731,500 |
| Advances from other funds | 394,118 | - | 394,118 |
| Total Liabilities | 3,943,092 | 4,040,549 | 7,983,641 |
| Fund Balances: | | | |
| Nonspendable: | | | |
| Loans receivable | 35,398 | 831 | 36,229 |
| Restricted for: | | | |
| Community development projects | - | 4,744,941 | 4,744,941 |
| Public safety | - | 528,063 | 528,063 |
| Parks and recreation | - | 92,425 | 92,425 |
| Public works | - | 2,206,900 | 2,206,900 |
| Capital Projects | - | 379,072 | 379,072 |
| Committed to: | | | |
| Emergency contingency | 2,343,760 | - | 2,343,760 |
| Assigned to: | | | |
| Capital Projects | - | 2,680,071 | 2,680,071 |
| Public safety | 126,084 | - | 126,084 |
| Parks and recreation | 300 | - | 300 |
| Public works | 191,942 | - | 191,942 |
| General government | 4,064 | - | 4,064 |
| Future compensated absences | 469,161 | - | 469,161 |
| Gas tax commitment | 317,000 | - | 317,000 |
| PEG | 40,673 | - | 40,673 |
| Unassigned | - | (776,594) | (776,594) |
| Total Fund Balances | 3,528,382 | 9,855,709 | 13,384,091 |
| Total Liabilities and Fund Balances | \$ 7,471,474 | \$ 13,896,258 | \$ 21,367,732 |

CITY OF BANNING

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012**

| | | |
|---|--------------------|-------------------------------------|
| Fund balances of governmental funds | | \$ 13,384,091 |
| Amounts reported for governmental activities in the statement of net assets are different because: | | |
| Capital assets net of depreciation have not been included as financial resources in governmental fund activity. | | 93,518,717 |
| Bond issuance cost is an expenditure in the governmental funds, but it is a deferred charge in the statement of net assets. | | 74,582 |
| Long-term debt and compensated absences that have not been included in the governmental fund activity: | | |
| Bonds payable | \$ (3,147,157) | |
| Compensated Absences | <u>(1,084,544)</u> | (4,231,701) |
| Accrued interest payable for the current portion of interest due on Bonds has not been reported in the governmental funds. | | (19,637) |
| Revenues reported as deferred revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity. | | 2,641,546 |
| 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>4,092,925</u> |
| Net assets of governmental activities | | <u><u>\$ 109,460,523</u></u> |

CITY OF BANNING

**STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012**

| | General | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|---|---|
| Revenues: | | | |
| Taxes | \$ 7,619,127 | \$ 2,714,619 | \$ 10,333,746 |
| Licenses and permits | 137,689 | - | 137,689 |
| Intergovernmental | 315,724 | 2,496,415 | 2,812,139 |
| Charges for services | 3,608,457 | 160 | 3,608,617 |
| Use of money and property | 482,199 | 54,554 | 536,753 |
| Fines and forfeitures | 292,192 | - | 292,192 |
| Miscellaneous | 191,374 | 66,032 | 257,406 |
| Total Revenues | 12,646,762 | 5,331,780 | 17,978,542 |
| Expenditures: | | | |
| Current: | | | |
| General government | 1,815,990 | 852,170 | 2,668,160 |
| Public safety | 9,735,506 | 559,603 | 10,295,109 |
| Community development | - | 287,345 | 287,345 |
| Parks and recreation | 628,153 | 30,612 | 658,765 |
| Public works | 1,264,178 | 996,132 | 2,260,310 |
| Capital outlay | 252,322 | 2,874,284 | 3,126,606 |
| Debt service: | | | |
| Principal retirement | 307,844 | 947,263 | 1,255,107 |
| Interest and fiscal charges | 127,701 | 1,791,678 | 1,919,379 |
| Total Expenditures | 14,131,694 | 8,339,087 | 22,470,781 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (1,484,932) | (3,007,307) | (4,492,239) |
| Other Financing Sources (Uses): | | | |
| Transfers in | 1,010,514 | 7,179,221 | 8,189,735 |
| Transfers out | (8,108,616) | (1,604,728) | (9,713,344) |
| Total Other Financing Sources (Uses) | (7,098,102) | 5,574,493 | (1,523,609) |
| Extraordinary gain/(loss) on dissolution of redevelopment agency (Note 17) | - | (21,455,362) | (21,455,362) |
| Net Change in Fund Balances | (8,583,034) | (18,888,176) | (27,471,210) |
| Fund Balances, Beginning of Year, as previously reported | 12,111,416 | 21,743,885 | 33,855,301 |
| Restatements | - | 7,000,000 | 7,000,000 |
| Fund Balances, Beginning of Year, as restated | 12,111,416 | 28,743,885 | 40,855,301 |
| Fund Balances, End of Year | \$ 3,528,382 | \$ 9,855,709 | \$ 13,384,091 |

CITY OF BANNING

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2012

Net change in fund balances - total governmental funds \$ (27,471,210)

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

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

| | | |
|---|----------------|-------------|
| Capital outlay | \$ 3,005,710 | |
| Depreciation | (5,848,605) | |
| Disposal, net of accumulated depreciation | <u>(2,979)</u> | (2,845,874) |

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

| | | |
|---|---------------|-----------|
| Principal repayments | 1,237,844 | |
| Amortization of bond premiums/discounts | (17,638) | |
| Amortization of bond issuance costs | (35,138) | |
| Loan repayments | <u>17,263</u> | 1,202,331 |

Accrued interest for long-term liabilities. This is the net change in accrued interest for the current period. 715,870

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. (15,735)

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. 144,475

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. 1,351,065

Extraordinary gains and losses relating to capital assets and long term liabilities transferred to the Successor Agency are reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds.

| | | |
|---------------------------------|--------------------|-------------------|
| Capital assets | (9,361,962) | |
| Long-term liabilities | 40,222,837 | |
| Unamortized bond issuance costs | (1,262,492) | |
| Deferred revenues | <u>(5,314,501)</u> | <u>24,283,882</u> |

Change in net assets of governmental activities \$ (2,635,196)

CITY OF BANNING

**BUDGETARY COMPARISON STATEMENT
GENERAL FUND
YEAR ENDED JUNE 30, 2012**

| | Budget Amounts | | Actual | Variance with |
|--|-----------------------|-------------------|-------------------|----------------------|
| | Original | Final | Amounts | Final Budget |
| | | | | Positive |
| | | | | (Negative) |
| Budgetary Fund Balance, July 1 | \$ 12,111,416 | \$ 12,111,416 | \$ 12,111,416 | \$ - |
| Resources (Inflows): | | | | |
| Taxes: | | | | |
| Sales and use | 2,131,000 | 2,205,000 | 2,291,515 | 86,515 |
| Property | 3,974,980 | 3,671,094 | 3,681,435 | 10,341 |
| Franchise | 802,450 | 826,450 | 819,203 | (7,247) |
| Transient occupancy | 502,000 | 512,000 | 586,083 | 74,083 |
| Other | 274,568 | 286,253 | 240,891 | (45,362) |
| Subtotal | 7,684,998 | 7,500,797 | 7,619,127 | 118,330 |
| Licenses and permits: | | | | |
| Building permits | 55,800 | 55,800 | 67,867 | 12,067 |
| Other permits | 86,875 | 58,200 | 69,822 | 11,622 |
| Subtotal | 142,675 | 114,000 | 137,689 | 23,689 |
| Intergovernmental: | | | | |
| State motor vehicle in-lieu fees | 70,000 | 100,000 | 75,220 | (24,780) |
| Other intergovernmental revenues | 386,834 | 1,272,859 | 240,504 | (1,032,355) |
| Subtotal | 456,834 | 1,372,859 | 315,724 | (1,057,135) |
| Charges for services: | | | | |
| Engineering, police, fire and other fees | 384,647 | 688,185 | 693,327 | 5,142 |
| Recreation fees | 57,820 | 60,695 | 66,348 | 5,653 |
| Interfund charges | 2,501,500 | 2,760,105 | 2,848,782 | 88,677 |
| Subtotal | 2,943,967 | 3,508,985 | 3,608,457 | 99,472 |
| Use of money and property: | | | | |
| Interest and rents | 525,750 | 518,872 | 482,199 | (36,673) |
| Subtotal | 525,750 | 518,872 | 482,199 | (36,673) |
| Fines and forfeitures | | | | |
| Parking fines | 9,750 | 13,000 | 23,851 | 10,851 |
| Court fines and other fines | 307,800 | 256,550 | 268,341 | 11,791 |
| Subtotal | 317,550 | 269,550 | 292,192 | 22,642 |
| Miscellaneous | 237,745 | 234,112 | 191,374 | (42,738) |
| Transfers in | 853,676 | 964,698 | 1,010,514 | 45,816 |
| Subtotal | 1,091,421 | 1,198,810 | 1,201,888 | 3,078 |
| Amounts Available for Appropriation | 25,274,611 | 26,595,289 | 25,768,692 | (826,597) |

CITY OF BANNING

**BUDGETARY COMPARISON STATEMENT
GENERAL FUND
YEAR ENDED JUNE 30, 2012**

| | Budget Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|-----------------------------|----------------------------|----------------------------|---|
| | Original | Final | Amounts | |
| Charges to Appropriation (Outflow): | | | | |
| General government | | | | |
| City council | 94,006 | 94,006 | 90,998 | 3,008 |
| City manager | 210,935 | 210,935 | 198,167 | 12,768 |
| Personnel | 149,779 | 189,779 | 172,782 | 16,997 |
| City clerk | 85,753 | 85,753 | 84,450 | 1,303 |
| Elections | 200 | 200 | - | 200 |
| City attorney | 161,000 | 161,000 | 84,314 | 76,686 |
| Finance | 219,119 | 240,052 | 206,530 | 33,522 |
| Community enhancement | 7,747 | 17,947 | 33,689 | (15,742) |
| Central services | 1,184,289 | 1,149,951 | 944,710 | 205,241 |
| Debt service | 5,500 | 350 | 350 | - |
| Subtotal | <u>2,118,328</u> | <u>2,149,973</u> | <u>1,815,990</u> | <u>333,983</u> |
| Public safety | | | | |
| Police | 6,442,353 | 6,882,895 | 6,644,950 | 237,945 |
| Animal control | 142,000 | 142,000 | 110,411 | 31,589 |
| Fire | 2,506,503 | 3,014,745 | 2,980,145 | 34,600 |
| Subtotal | <u>9,090,856</u> | <u>10,039,640</u> | <u>9,735,506</u> | <u>304,134</u> |
| Parks and recreation | | | | |
| Parks | 300,841 | 300,841 | 288,523 | 12,318 |
| Recreation | 324,260 | 337,619 | 339,630 | (2,011) |
| Subtotal | <u>625,101</u> | <u>638,460</u> | <u>628,153</u> | <u>10,307</u> |
| Public works | | | | |
| Building safety | 384,938 | 380,522 | 396,604 | (16,082) |
| Planning | 264,103 | 614,361 | 466,106 | 148,255 |
| Engineering | 208,393 | 256,299 | 209,227 | 47,072 |
| Building maintenance | 195,206 | 195,206 | 192,241 | 2,965 |
| Subtotal | <u>1,052,640</u> | <u>1,446,388</u> | <u>1,264,178</u> | <u>182,210</u> |
| Capital outlay | 40,000 | 540,031 | 252,322 | 287,709 |
| Debt service: | | | | |
| Principal retirement | 308,547 | 308,547 | 307,844 | 703 |
| Interest and fiscal charges | 129,553 | 128,453 | 127,701 | 752 |
| Transfers out | 254,735 | 8,112,127 | 8,108,616 | 3,511 |
| Subtotal | <u>732,835</u> | <u>9,089,158</u> | <u>8,796,483</u> | <u>292,675</u> |
| Total Charges to Appropriations | <u>13,619,760</u> | <u>23,363,619</u> | <u>22,240,310</u> | <u>1,123,309</u> |
| Budgetary Fund Balance, June 30 | <u>\$ 11,654,851</u> | <u>\$ 3,231,670</u> | <u>\$ 3,528,382</u> | <u>\$ 296,712</u> |

CITY OF BANNING

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012

| | Business-Type Activities - Enterprise Funds | | |
|--|---|----------------------|--|
| | Banning Utility Authority Water | Electric Utility | Banning Utility Authority Wastewater |
| Assets: | | | |
| Current: | | | |
| Pooled cash and investments | \$ 10,857,029 | \$ 20,073,185 | \$ 14,104,776 |
| Receivables: | | | |
| Accounts | 1,550,426 | 3,511,324 | 1,672,881 |
| Loans | 2,674 | 5,622 | 1,231 |
| Interest | 9,504 | 18,301 | 11,650 |
| Deposits | - | 100,000 | - |
| Due from other governments | 146,479 | 99,438 | 118 |
| Due from other funds | - | - | 285,700 |
| Inventories | 422,680 | 1,512,793 | - |
| Deposits with other agencies | - | 1,058,458 | - |
| Restricted: | | | |
| Cash and investments | - | 1,220,971 | - |
| Cash with fiscal agent | 4,772,941 | 18,054,815 | 3,759,183 |
| Total Current Assets | 17,761,733 | 45,654,907 | 19,835,539 |
| Noncurrent: | | | |
| Unamortized debt issuance costs | 737,956 | 689,899 | 234,904 |
| Advances to other funds | - | 394,118 | - |
| Capital assets - net of accumulated depreciation | 48,484,666 | 38,416,702 | 15,873,915 |
| Total Noncurrent Assets | 49,222,622 | 39,500,719 | 16,108,819 |
| Total Assets | \$ 66,984,355 | \$ 85,155,626 | \$ 35,944,358 |
| Liabilities and Net Assets: | | | |
| Liabilities: | | | |
| Current: | | | |
| Accounts payable | \$ 415,841 | \$ 1,535,506 | \$ 166,162 |
| Accrued liabilities | 29,457 | 51,445 | 13,339 |
| Accrued interest | 261,023 | 151,803 | 84,058 |
| Unearned revenues | - | - | - |
| Deposits payable | 165,143 | 383,537 | 88,375 |
| Compensated absences | 24,706 | 9,380 | 17,816 |
| Claims and judgments | - | - | - |
| Bonds, notes, and capital leases | 740,000 | 850,000 | 381,524 |
| Total Current Liabilities | 1,636,170 | 2,981,671 | 751,274 |
| Noncurrent: | | | |
| Compensated absences | 129,925 | 251,610 | 103,797 |
| Claims and judgments | - | - | - |
| Bonds, notes, and capital leases | 31,639,750 | 36,642,014 | 7,441,950 |
| Total Noncurrent Liabilities | 31,769,675 | 36,893,624 | 7,545,747 |
| Total Liabilities | 33,405,845 | 39,875,295 | 8,297,021 |
| Net Assets: | | | |
| Invested in capital assets, net of related debt | 20,877,857 | 18,979,503 | 11,809,624 |
| Restricted for capital projects | 2,091,940 | 15,382,542 | 3,689,172 |
| Restricted for debt service | 2,681,001 | 2,672,273 | 70,011 |
| Unrestricted | 7,927,712 | 8,246,013 | 12,078,530 |
| Total Net Assets | 33,578,510 | 45,280,331 | 27,647,337 |
| Total Liabilities and Net Assets | \$ 66,984,355 | \$ 85,155,626 | \$ 35,944,358 |

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, 2012

| | Business-Type Activities - Enterprise Funds | | Governmental Activities- Internal Service Funds |
|--|---|-----------------------|---|
| | Other Enterprise Funds | Totals | |
| Assets: | | | |
| Current: | | | |
| Pooled cash and investments | \$ 411,341 | \$ 45,446,331 | \$ 3,572,207 |
| Receivables: | | | |
| Accounts | 425,451 | 7,160,082 | 43,270 |
| Loans | - | 9,527 | 5,863 |
| Interest | 392 | 39,847 | 1,444 |
| Deposits | - | 100,000 | - |
| Due from other governments | 347,486 | 593,521 | 1,445 |
| Due from other funds | - | 285,700 | - |
| Inventories | 21,969 | 1,957,442 | 60,715 |
| Deposits with other agencies | - | 1,058,458 | - |
| Restricted: | | | |
| Cash and investments | - | 1,220,971 | - |
| Cash with fiscal agent | - | 26,586,939 | - |
| Total Current Assets | 1,206,639 | 84,458,818 | 3,684,944 |
| Noncurrent: | | | |
| Unamortized debt issuance costs | - | 1,662,759 | - |
| Advances to other funds | - | 394,118 | - |
| Capital assets - net of accumulated depreciation | 3,859,343 | 106,634,626 | 509,336 |
| Total Noncurrent Assets | 3,859,343 | 108,691,503 | 509,336 |
| Total Assets | \$ 5,065,982 | \$ 193,150,321 | \$ 4,194,280 |
| Liabilities and Net Assets: | | | |
| Liabilities: | | | |
| Current: | | | |
| Accounts payable | \$ 260,830 | \$ 2,378,339 | \$ 118,861 |
| Accrued liabilities | 19,740 | 113,981 | 40,647 |
| Accrued interest | - | 496,884 | - |
| Unearned revenues | 177,038 | 177,038 | - |
| Deposits payable | 114,048 | 751,103 | 928 |
| Compensated absences | 13,858 | 65,760 | 95,551 |
| Claims and judgments | - | - | 563,557 |
| Bonds, notes, and capital leases | - | 1,971,524 | - |
| Total Current Liabilities | 585,514 | 5,954,629 | 819,544 |
| Noncurrent: | | | |
| Compensated absences | 124,494 | 609,826 | 92,414 |
| Claims and judgments | - | - | 353,863 |
| Bonds, notes, and capital leases | - | 75,723,714 | - |
| Total Noncurrent Liabilities | 124,494 | 76,333,540 | 446,277 |
| Total Liabilities | 710,008 | 82,288,169 | 1,265,821 |
| Net Assets: | | | |
| Invested in capital assets, net of related debt | 3,859,343 | 55,526,327 | 509,336 |
| Restricted for capital projects | - | 21,163,654 | - |
| Restricted for debt service | - | 5,423,285 | - |
| Unrestricted | 496,631 | 28,748,886 | 2,419,123 |
| Total Net Assets | 4,355,974 | 110,862,152 | 2,928,459 |
| Total Liabilities and Net Assets | \$ 5,065,982 | \$ 193,150,321 | \$ 4,194,280 |

\$ 110,862,152

(145,533)

(1,018,933)

\$ 109,697,686

CITY OF BANNING

**STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2012**

| | Business-Type Activities - Enterprise Funds | | |
|---|--|-------------------------|---|
| | Banning Utility Authority Water | Electric Utility | Banning Utility Authority Wastewater |
| Operating Revenues: | | | |
| Sales and service charges | \$ 9,185,273 | \$ 28,140,431 | \$ 3,029,966 |
| Connection fees | 5,274 | 1,060 | - |
| Miscellaneous | 37,134 | - | - |
| Bad debt recovery | 25,838 | - | 2,101 |
| Total Operating Revenues | 9,253,519 | 28,141,491 | 3,032,067 |
| Operating Expenses: | | | |
| Salaries and benefits | 1,431,672 | 2,776,958 | 620,873 |
| Supplies and services | 3,350,169 | 5,267,993 | 1,270,103 |
| Repairs and maintenance | 64,977 | 114,497 | 60,586 |
| Street lighting costs | - | 151,583 | - |
| Power purchased | - | 17,281,603 | - |
| Bad debt expense | - | 67,188 | - |
| Insurance premiums | - | - | - |
| Depreciation expense | 1,277,479 | 1,356,064 | 639,303 |
| Total Operating Expenses | 6,124,297 | 27,015,886 | 2,590,865 |
| Operating Income (Loss) | 3,129,222 | 1,125,605 | 441,202 |
| Nonoperating Revenues (Expenses): | | | |
| Intergovernmental | 146,479 | - | - |
| Interest revenue | 32,241 | 164,137 | 35,119 |
| Interest expense | (1,556,538) | (1,845,651) | (319,736) |
| Miscellaneous | 174,456 | 505,546 | 1,342,194 |
| Amortization of bond costs | (42,830) | - | (44,193) |
| Gain (loss) on disposal of capital assets | - | - | - |
| Total Nonoperating Revenues (Expenses) | (1,246,192) | (1,175,968) | 1,013,384 |
| Income (Loss) Before Transfers | 1,883,030 | (50,363) | 1,454,586 |
| Transfers in | 1,155 | 450,019 | 1,155 |
| Transfers out | (503,500) | - | (181,000) |
| Changes in Net Assets | 1,380,685 | 399,656 | 1,274,741 |
| Net Assets: | | | |
| Previously Reported | 34,618,825 | 49,459,675 | 26,372,596 |
| Restatements | (2,421,000) | (4,579,000) | - |
| Beginning of Fiscal Year, as restated | 32,197,825 | 44,880,675 | 26,372,596 |
| End of Fiscal Year | \$ 33,578,510 | \$ 45,280,331 | \$ 27,647,337 |

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

Changes in Net Assets, per the Statement of Revenues,

Expenses and Changes in Fund Net Assets - Proprietary Funds

Adjustment to reflect the consolidation of current fiscal year

internal service funds activities related to enterprise funds

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, 2012**

| | Business-Type Activities - Enterprise Funds | | Governmental Activities- Internal Service Funds |
|---|--|-----------------------|--|
| | Other Enterprise Funds | Totals | |
| Operating Revenues: | | | |
| Sales and service charges | \$ 3,353,742 | \$ 43,709,412 | \$ 4,798,522 |
| Connection fees | - | 6,334 | - |
| Miscellaneous | - | 37,134 | - |
| Bad debt recovery | 3,290 | 31,229 | - |
| Total Operating Revenues | 3,357,032 | 43,784,109 | 4,798,522 |
| Operating Expenses: | | | |
| Salaries and benefits | 935,086 | 5,764,589 | 1,744,229 |
| Supplies and services | 3,531,238 | 13,419,503 | 3,754,090 |
| Repairs and maintenance | 13,636 | 253,696 | 190,131 |
| Street lighting costs | - | 151,583 | - |
| Power purchased | - | 17,281,603 | - |
| Bad debt expense | - | 67,188 | - |
| Insurance premiums | - | - | 979,003 |
| Depreciation expense | 394,784 | 3,667,630 | 61,521 |
| Total Operating Expenses | 4,874,744 | 40,605,792 | 6,728,974 |
| Operating Income (Loss) | (1,517,712) | 3,178,317 | (1,930,452) |
| Nonoperating Revenues (Expenses): | | | |
| Intergovernmental | 1,559,321 | 1,705,800 | - |
| Interest revenue | 623 | 232,120 | 34,962 |
| Interest expense | - | (3,721,925) | - |
| Miscellaneous | 14,331 | 2,036,527 | 416,842 |
| Amortization of bond costs | - | (87,023) | - |
| Gain (loss) on disposal of capital assets | 9 | 9 | - |
| Total Nonoperating Revenues (Expenses) | 1,574,284 | 165,508 | 451,804 |
| Income (Loss) Before Transfers | 56,572 | 3,343,825 | (1,478,648) |
| Transfers in | - | 452,329 | 1,810,780 |
| Transfers out | (55,000) | (739,500) | - |
| Changes in Net Assets | 1,572 | 3,056,654 | 332,132 |
| Net Assets: | | | |
| Previously Reported | 4,354,402 | 114,805,498 | 2,596,327 |
| Restatements | - | (7,000,000) | - |
| Beginning of Fiscal Year, as restated | 4,354,402 | 107,805,498 | 2,596,327 |
| End of Fiscal Year | \$ 4,355,974 | \$ 110,862,152 | \$ 2,928,459 |
| | | \$ 3,056,654 | |
| | | (1,018,933) | |
| | | <u>\$ 2,037,721</u> | |

CITY OF BANNING

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2012

| | 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 | \$ 8,886,217 | \$ 28,147,359 | \$ 1,733,876 |
| Cash paid to suppliers for goods and services | (3,696,292) | (23,802,874) | (1,417,421) |
| Cash paid to employees for services | (1,201,533) | (2,376,780) | (512,676) |
| Net Cash Provided (Used) by Operating Activities | 3,988,392 | 1,967,705 | (196,221) |
| Cash Flows from Non-Capital Financing Activities: | | | |
| Cash transfers out | (503,500) | - | (181,000) |
| Cash transfers in | 1,155 | 450,019 | 1,155 |
| Repayment made to other funds | - | - | 666,691 |
| Intergovernmental | 146,479 | - | - |
| Miscellaneous | 174,456 | 505,546 | 1,342,194 |
| Net Cash Provided (Used) by Non-Capital Financing Activities | (181,410) | 955,565 | 1,829,040 |
| Cash Flows from Capital and Related Financing Activities: | | | |
| Acquisition and construction of capital assets | (24,999) | (1,335,431) | (260,347) |
| Principal paid on capital debt | (715,000) | (815,000) | (370,403) |
| Interest paid on capital debt | (1,584,889) | (1,857,263) | (329,087) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | (2,324,888) | (4,007,694) | (959,837) |
| Cash Flows from Investing Activities: | | | |
| Interest received | 38,399 | 182,134 | 47,334 |
| Net Cash Provided (Used) by Investing Activities | 38,399 | 182,134 | 47,334 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 1,520,493 | (902,290) | 720,316 |
| Cash and Cash Equivalents at Beginning of Year | 14,109,477 | 40,251,261 | 17,143,643 |
| Cash and Cash Equivalents at End of Year | \$ 15,629,970 | \$ 39,348,971 | \$ 17,863,959 |
| Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities: | | | |
| Operating income (loss) | \$ 3,129,222 | \$ 1,125,605 | \$ 441,202 |
| Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities: | | | |
| Depreciation | 1,277,479 | 1,356,064 | 639,303 |
| (Increase) decrease in accounts receivable | (367,302) | 5,868 | (1,298,191) |
| (Increase) decrease in loans receivable | 2,764 | 365 | 260 |
| (Increase) decrease in inventories | (25,358) | 3,156 | - |
| (Increase) decrease in deposits with other agencies | - | (238,492) | - |
| (Increase) decrease in deposits receivable | - | (100,000) | - |
| (Increase) decrease in due from other governments | (19,243) | 87,018 | (118) |
| Increase (decrease) in accounts payable | (51,281) | (110,061) | (20,062) |
| Increase (decrease) in accrued liabilities | 13,713 | (180,221) | 18,792 |
| Increase (decrease) in deposits payable | 7,080 | 35,416 | 3,744 |
| Increase (decrease) in claims and judgments | - | - | - |
| Increase (decrease) in compensated absences | 21,318 | (17,013) | 18,849 |
| Total Adjustments | 859,170 | 842,100 | (637,423) |
| Net Cash Provided (Used) by Operating Activities | \$ 3,988,392 | \$ 1,967,705 | \$ (196,221) |
| Non-Cash Investing, Capital, and Financing Activities: | | | |
| Bad debt expense | \$ - | \$ (67,188) | \$ - |
| Amortization of bond costs | (42,830) | - | (44,193) |

CITY OF BANNING

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2012

| | Business-Type Activities - Enterprise Funds | | Governmental Activities- Internal Service Funds |
|---|--|----------------------|--|
| | Other Enterprise Funds | Totals | |
| Cash Flows from Operating Activities: | | | |
| Cash received from customers and users | \$ 3,353,057 | \$ 42,120,509 | \$ 4,809,612 |
| Cash paid to suppliers for goods and services | (4,042,781) | (32,959,368) | (5,218,889) |
| Cash paid to employees for services | (809,068) | (4,900,057) | (1,475,864) |
| Net Cash Provided (Used) by Operating Activities | (1,498,792) | 4,261,084 | (1,885,141) |
| Cash Flows from Non-Capital Financing Activities: | | | |
| Cash transfers out | (55,000) | (739,500) | - |
| Cash transfers in | - | 452,329 | 1,810,780 |
| Repayment made to other funds | - | 666,691 | - |
| Intergovernmental | 1,638,747 | 1,785,226 | - |
| Miscellaneous | 14,331 | 2,036,527 | 416,842 |
| Net Cash Provided (Used) by Non-Capital Financing Activities | 1,598,078 | 4,201,273 | 2,227,622 |
| Cash Flows from Capital and Related Financing Activities: | | | |
| Acquisition and construction of capital assets | (386,144) | (2,006,921) | (160,250) |
| Principal paid on capital debt | - | (1,900,403) | - |
| Interest paid on capital debt | - | (3,771,239) | - |
| Net Cash Provided (Used) by Capital and Related Financing Activities | (386,144) | (7,678,563) | (160,250) |
| Cash Flows from Investing Activities: | | | |
| Interest received | 1,503 | 269,370 | 35,968 |
| Net Cash Provided (Used) by Investing Activities | 1,503 | 269,370 | 35,968 |
| Net Increase (Decrease) in Cash and Cash Equivalents | (285,355) | 1,053,164 | 218,199 |
| Cash and Cash Equivalents at Beginning of Year | 696,696 | 72,201,077 | 3,354,008 |
| Cash and Cash Equivalents at End of Year | \$ 411,341 | \$ 73,254,241 | \$ 3,572,207 |
| Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities: | | | |
| Operating income (loss) | \$ (1,517,712) | \$ 3,178,317 | \$ (1,930,452) |
| Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities: | | | |
| Depreciation | 394,784 | 3,667,630 | 61,521 |
| (Increase) decrease in accounts receivable | (3,975) | (1,663,600) | 11,090 |
| (Increase) decrease in loans receivable | 963 | 4,352 | (1,537) |
| (Increase) decrease in inventories | (6,115) | (28,317) | 3,021 |
| (Increase) decrease in deposits with other agencies | - | (238,492) | - |
| (Increase) decrease in deposits receivable | - | (100,000) | - |
| (Increase) decrease in due from other governments | (95,283) | (27,626) | (1,445) |
| Increase (decrease) in accounts payable | (41,082) | (222,486) | (58,370) |
| Increase (decrease) in accrued liabilities | (233,961) | (381,677) | 17,718 |
| Increase (decrease) in deposits payable | 3,326 | 49,566 | - |
| Increase (decrease) in claims and judgments | - | - | (9,170) |
| Increase (decrease) in compensated absences | 263 | 23,417 | 22,483 |
| Total Adjustments | 18,920 | 1,082,767 | 45,311 |
| Net Cash Provided (Used) by Operating Activities | \$ (1,498,792) | \$ 4,261,084 | \$ (1,885,141) |
| Non-Cash Investing, Capital, and Financing Activities: | | | |
| Bad debt expense | \$ - | \$ (67,188) | \$ - |
| Amortization of bond costs | - | (87,023) | - |

CITY OF BANNING

STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2012

| | Agency Funds | Private- Purpose Trust Fund Successor Agency of the Former RDA |
|---|-------------------|---|
| Assets: | | |
| Pooled cash and investments | \$ 348,845 | \$ 6,055,420 |
| Receivables: | | |
| Accounts | - | 177 |
| Notes and loans | - | 7,415,029 |
| Interest | 252 | 4,385 |
| Due from other governments | 7,948 | - |
| Land held for resale | - | 2,599,402 |
| Deferred charges | - | 1,238,867 |
| Restricted assets: | | |
| Cash and investments with fiscal agents | 218,052 | 11,194,724 |
| Capital assets: | | |
| Capital assets, not being depreciated | - | 3,798,622 |
| Capital assets, net of accumulated depreciation | - | 6,012,209 |
| Total Assets | \$ 575,097 | \$ 38,318,835 |
| Liabilities: | | |
| Accounts payable | \$ 28,768 | \$ 494,433 |
| Accrued liabilities | - | 4,086 |
| Accrued interest | - | 720,671 |
| Deposits payable | 61,587 | 46,202 |
| Due to bondholders | 484,742 | - |
| Long-term liabilities: | | |
| Due in one year | - | 1,132,646 |
| Due in more than one year | - | 41,477,902 |
| Total Liabilities | \$ 575,097 | \$ 43,875,940 |
| Net Assets: | | |
| Held in trust for other purposes | | \$ (5,557,105) |
| Total Net Assets | | \$ (5,557,105) |

CITY OF BANNING

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2012

| | Private- Purpose Trust Fund Successor Agency of the Former RDA |
|---|---|
| Additions: | |
| Taxes | \$ 1,451,352 |
| Interest and change in fair value of investments | 7,210 |
| Miscellaneous | 1,495 |
| Total Additions | 1,460,057 |
| Deductions: | |
| Administrative expenses | 643,650 |
| Interest expense | 754,044 |
| Amortization expense | 36,223 |
| Depreciation expense | 94,324 |
| Loss on the sale of Land Held for Resale | 2,660,401 |
| Total Deductions | 4,188,642 |
| Extraordinary gain/(loss) on dissolution of redevelopment agency (Note 17) | (2,828,520) |
| Changes in Net Assets | (5,557,105) |
| Net Assets - Beginning of the Year | - |
| Net Assets - End of the Year | \$ (5,557,105) |

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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. The redevelopment agency was dissolved as of January 31, 2012 through the Supreme Court decision on Assembly Bill 1X 26. See Note 17 for more information on the dissolution.

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. It does not issue separate financial statements. Its activities are included with the City's activities in these financial statements.

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.

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.

Major individual governmental funds are reported as separate columns in the fund financial statements.

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

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

The proprietary and private-purpose trust funds are reported using the economic resources measurement focus and the accrual basis of accounting. The agency funds have no measurement focus but utilize the accrual basis of accounting for reporting its assets and liabilities.

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 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.
- Capital Project Funds are used to account for capital project expenditures throughout the City.
- Debt Service Funds are used to account for debt service related expenditures.
- 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.
- The Private-purpose Trust Fund accounts for the assets and liabilities of the former redevelopment agency and is allocated revenue to pay estimated installment payments of enforceable obligations until obligations of the former redevelopment agency are paid in full and assets have been liquidated.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

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

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

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

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

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

d. Assets, Liabilities and Net Assets or Equity

Deposits and Investments and Cash and Cash Equivalents

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

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

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

Receivables and Payables

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

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 nonspendable accounts. Property tax revenue is recognized in the fiscal year for which the taxes have been levied providing they become available. Property taxes in the State of California are administered for all local agencies at the county level and consist of secured, unsecured and utility tax rolls. The following is a summary of major policies and practices relating to property taxes:

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

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

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 |

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

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

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, or vacation or any combination thereof annually. Management employees may elect to cash out 60 hours per year.

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

Vacation and Holiday Leave for police employees accrue according to a schedule set forth in a memorandum of understanding. After six months of employment, each employee is eligible to be paid for accrued vacation. 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

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

All members of the Association of Managers accrue vacation and holiday leave in accordance with schedules set forth in a memorandum of understanding. All accrued vacation and holiday leave shall be paid upon termination up to a maximum of 320 hours for vacation and an unlimited amount of hours for holiday after six months of service. Utility employees accrue vacation leave in accordance with a schedule set forth in a memorandum of understanding. Vacation shall accrue to the maximum of 320 hours. Any employee that terminates after six months of service shall be paid for all accrued hours. Employees may cash out vacation time annually as follows:

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

Claims and Judgments

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

Long-Term Obligations

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

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

Fund Equity

In the fund financial statements, government funds report the following fund balance classification:

Nonspendable include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted include amounts that are constrained on the use of resources by either (a) external creditors, grantors, contributors, or laws of regulations of other governments or (b) by law through constitutional provisions or enabling legislation.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

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

Committed include amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest authority, City Council. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution.

Emergency Contingency - City Council has determined the specific purposes for which this may be used for are local disasters, recessions or other financial hardships; to subsidize unforeseen operating or capital needs; and cash flow requirements.

Assigned include amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The City Manager or Deputy City Manager are authorized to assign amounts to a specific purpose, which was established by the governing body by resolution.

Unassigned include the residual amounts that have not been restricted, committed, or assigned to specific purposes.

An individual governmental fund could include nonspendable resources and amounts that are restricted. Restricted amounts are to be considered spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available then unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

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, 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).

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 2: Stewardship, Compliance and Accountability (Continued)

b. The following fund contained a deficit fund balance:

| <u>Fund</u> | <u>Amount</u> |
|---|---------------|
| Community Development Block Grant - Special Revenue | \$ 5,274 |
| Sunset Grade Separation - Capital Project | 771,320 |

III. DETAILED NOTES ON ALL FUNDS

Note 3: Cash and Investments

As of June 30, 2012, cash and investments were reported in the accompanying financial statements as follows:

| | |
|----------------------------|-----------------------|
| Governmental activities | \$ 16,591,298 |
| Business-type activities | 73,254,241 |
| Fiduciary funds | <u>17,817,041</u> |
| Total Cash and Investments | <u>\$ 107,662,580</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, 2012, the carrying amount of the City's deposits was \$5,580,721, and the bank balance was \$6,308,964. The \$728,243 difference represents outstanding checks and other reconciling items.

The California Government Code requires California banks and savings and loan associations to secure a City's deposits by pledging government securities with a value of 110% of a City's deposits. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of a City's total deposits. The City Treasurer may waive the collateral requirement for deposits that are fully insured up to \$250,000 by the FDIC. The collateral for deposits in federal and state chartered banks is held in safekeeping by an authorized Agent of Depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an Agent of Depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an "Agent of Depository" has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California Agents of Depository are considered to be held for, and in the name of, the local governmental agency.

A provision of the Dodd-Frank Wall Street Reform and Consumer Protection Act provides temporary unlimited deposit insurance coverage for noninterest-bearing transaction account at all FDIC-insured institutions. This provision was effective from December 31, 2010 and remained in effect until December 31, 2012. Noninterest-bearing transaction accounts is defined as an account (1) with respect to which interest is neither accrued nor paid; (2) on which the depositor or account holder is permitted to

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 3: Cash and Investments (Continued)

make withdrawals by negotiable or transferable instrument, payment orders of withdrawal, telephone or other electronic media transfers, or other similar items for the purpose of making payments or transfers to third parties or others; and (3) on which the FDIC-insured depository institutions does not reserve the right to require advance notice of an intended withdrawal. As of June 30, 2012, the City maintains cash deposits that are temporarily covered by this provision.

Investments

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

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

Investments Authorized by Debt Agreements

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

Investments in State Investment Pool

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

GASB Statement No. 31

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

Credit Risk

The City's investment policy does not limit investments in Federal Agency Securities to ratings issued by nationally recognized statistical rating organizations. As of June 30, 2012, the City's investments in Federal Agency Securities consisted of investments in Federal Home Loan Bank Bonds, Federal Home Loan Mortgage

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 3: Cash and Investments (Continued)

Corporation Notes and Federal National Mortgage Corporation. At June 30, 2012, all Federal Agency Securities were rated "AA+" by Standard & Poor's. All securities were investment grade and were legal under State and City law. As of June 30, 2012, 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, 2012, none of the City's deposits or investments was exposed to custodial credit risk.

Concentration of Credit Risk

The City is in compliance with restrictions imposed by its investment policy, which limits certain types of investments. In addition, GASB 40 requires a separate disclosure if any single issuer comprised more than 5% of the total investment value. As of June 30, 2012, the City had no investments in one issuer that exceeded 5%. The investments in mutual money market 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, 2012, 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 | \$ - | \$ - | \$ 15,014,011 | \$ - | \$ 15,014,011 |
| Local Agency Investment Fund | 35,092,655 | - | - | - | 35,092,655 |
| Money Market | 10,647,775 | - | - | - | 10,647,775 |
| Cash with Fiscal Agents: | | | | | |
| Money Market | 41,327,418 | - | - | - | 41,327,418 |
| Total | \$ 87,067,848 | \$ - | \$ 15,014,011 | \$ - | \$ 102,081,859 |

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**Note 4: Interfund Receivables, Payables and Transfers**

The composition of interfund balances as of June 30, 2012, is as follows:

Due To/From Other Funds

| Funds | Due To Other Funds Nonmajor Governmental Funds |
|-----------------------|--|
| Due From Other Funds: | |
| General Fund | \$ 1,445,800 |
| BUA Wastewater Fund | 285,700 |
| Total | <u>\$ 1,731,500</u> |

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

Advances To/From Other Funds

| Funds | Advances to Other Funds Electric Utility |
|----------------------------|---|
| Advances from Other Funds: | |
| General Fund | \$ 394,118 |
| Total | <u>\$ 394,118</u> |

During the current and previous fiscal years, the Electric Utility Fund has made loans to the 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, 2012, principal owed on those loans was \$394,118.

Interfund Transfers

| Funds | Transfers In: | | | | | | Totals |
|--------------------------------|---------------------|-----------------------------------|-------------------|---------------------|---------------------------|---------------------|----------------------|
| | General Fund | Nonmajor Governmental Funds | BUA Water Fund | Electric Utility | BUA Wastewater Fund | Internal Service | |
| Transfers Out: | | | | | | | |
| General Fund | \$ - | \$ 6,297,836 | \$ - | \$ - | \$ - | \$ 1,810,780 | \$ 8,108,616 |
| Nonmajor Governmental Funds | 359,514 | 808,385 | 1,155 | 434,519 | 1,155 | - | 1,604,728 |
| BUA Water Fund | 470,000 | 18,000 | - | 15,500 | - | - | 503,500 |
| BUA Wastewater Fund | 181,000 | - | - | - | - | - | 181,000 |
| Nonmajor Proprietary Funds | - | 55,000 | - | - | - | - | 55,000 |
| Totals | <u>\$ 1,010,514</u> | <u>\$ 7,179,221</u> | <u>\$ 1,155</u> | <u>\$ 450,019</u> | <u>\$ 1,155</u> | <u>\$ 1,810,780</u> | <u>\$ 10,452,844</u> |

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

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

Transfers out of the General, Water, Nonmajor Governmental Funds, the BUA Water Fund, the BUA Wastewater Fund, and Nonmajor Proprietary Funds to other Nonmajor Governmental Funds are to pay certain costs incurred in other Nonmajor Governmental Funds.

Note 5: Changes in Capital Assets

Capital asset activity for the year ended June 30, 2012, is as follows:

| | Beginning Balance | Increases | Decreases | Transfers | Transfer to Successor Agency * | Ending Balance |
|---|----------------------|----------------|-----------|-------------|--------------------------------------|-------------------|
| Governmental Activities: | | | | | | |
| Capital assets, not being depreciated: | | | | | | |
| Land | \$ 6,345,170 | \$ - | \$ - | \$ - | \$ (3,283,270) | \$ 3,061,900 |
| Construction-in-progress | 3,501,022 | 2,890,230 | - | (2,467,587) | (653,319) | 3,270,346 |
| Total Capital Assets, Not Being Depreciated | 9,846,192 | 2,890,230 | - | (2,467,587) | (3,936,589) | 6,332,246 |
| Capital assets, being depreciated: | | | | | | |
| Buildings and structures | 26,656,316 | 23,810 | - | 1,083,825 | (1,803,606) | 25,960,345 |
| Land improvements | 8,116,669 | - | - | - | (1,520,000) | 6,596,669 |
| Machinery and equipment | 5,528,565 | 251,920 | - | 30,360 | (28,378) | 5,782,467 |
| Vehicles | 4,188,802 | - | 19,269 | - | - | 4,169,533 |
| Infrastructure | 114,186,708 | - | - | 1,353,402 | (2,783,428) | 112,756,682 |
| Total Capital Assets, Being Depreciated | 158,677,060 | 275,730 | 19,269 | 2,467,587 | (6,135,412) | 155,265,696 |
| Less accumulated depreciation: | | | | | | |
| Buildings and structures | 10,293,214 | 1,048,882 | - | - | (83,704) | 11,258,392 |
| Land improvements | 2,680,716 | 349,807 | - | - | (371,233) | 2,659,290 |
| Machinery and equipment | 3,903,745 | 420,138 | - | - | (28,378) | 4,295,505 |
| Vehicles | 3,494,075 | 326,625 | 16,290 | - | - | 3,804,410 |
| Infrastructure | 42,014,342 | 3,764,674 | - | - | (226,724) | 45,552,292 |
| Total Accumulated Depreciation | 62,386,092 | 5,910,126 | 16,290 | - | (710,039) | 67,569,889 |
| Total Capital Assets, Being Depreciated, Net | 96,290,968 | (5,634,396) | 2,979 | 2,467,587 | (5,425,373) | 87,695,807 |
| Governmental Activities Capital Assets, Net | \$ 106,137,160 | \$ (2,744,166) | \$ 2,979 | \$ - | \$ (9,361,962) | \$ 94,028,053 |

* As a result of the dissolution of the redevelopment agency, assets of the former redevelopment agency were transferred to the Successor Agency. See Note 17 for additional information.

Depreciation expense was charged to governmental functions as follows:

| | |
|--|---------------------|
| Governmental Activities: | |
| General government | \$ 216,027 |
| Public safety | 930,930 |
| Public works | 4,280,031 |
| Parks and recreation | 421,617 |
| Internal service funds | 61,521 |
| Total Depreciation Expense - Governmental Activities | <u>\$ 5,910,126</u> |

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 5: Changes in Capital Assets (Continued)

| | Beginning Balance | Increases | Decreases | Transfers | Ending Balance |
|---|-----------------------|-----------------------|-------------|-------------|-----------------------|
| Business-Type Activities: | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land | \$ 1,184,229 | \$ - | \$ - | \$ - | \$ 1,184,229 |
| Construction-in-progress | 2,611,379 | 409,659 | - | (61,406) | 2,959,632 |
| Total Capital Assets, Not Being Depreciated | 3,795,608 | 409,659 | - | (61,406) | 4,143,861 |
| Capital assets, being depreciated: | | | | | |
| Airport master plan | 38,875 | - | - | - | 38,875 |
| Buildings and structures | 519,247 | - | - | - | 519,247 |
| Land improvements | 3,124,853 | - | - | 11,100 | 3,135,953 |
| Machinery and equipment | 29,106 | - | - | - | 29,106 |
| Utility plant | 158,973,129 | 1,597,272 | - | 50,306 | 160,620,707 |
| Total Capital Assets, Being Depreciated | 162,685,210 | 1,597,272 | - | 61,406 | 164,343,888 |
| Less accumulated depreciation: | | | | | |
| Airport master plan | 38,875 | - | - | - | 38,875 |
| Buildings and structures | 378,863 | 7,392 | - | - | 386,255 |
| Land improvements | 1,302,969 | 148,526 | - | - | 1,451,495 |
| Machinery and equipment | 23,863 | 3,935 | - | - | 27,798 |
| Utility plant | 56,440,923 | 3,507,777 | - | - | 59,948,700 |
| Total Accumulated Depreciation | 58,185,493 | 3,667,630 | - | - | 61,853,123 |
| Total Capital Assets, Being Depreciated, Net | 104,499,717 | (2,070,358) | - | 61,406 | 102,490,765 |
| Business-type Activities Capital Assets, Net | <u>\$ 108,295,325</u> | <u>\$ (1,660,699)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 106,634,626</u> |

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

| | |
|---|---------------------|
| Business-Type Activities: | |
| Banning Utility Authority Water | \$ 1,277,479 |
| Electric Utility | 1,356,064 |
| Banning Utility Authority Wastewater | 639,303 |
| Airport | 155,918 |
| Transit | 234,931 |
| Refuse Utility | 3,935 |
| Total Depreciation Expense - Business-Type Activities | <u>\$ 3,667,630</u> |

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 6: Accounts Receivable

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

| | Gross Receivable | Allowance For Doubtful Accounts | Net Receivable |
|-------------------------------|---------------------|---------------------------------------|---------------------|
| Water | \$ 1,606,836 | \$ (56,410) | \$ 1,550,426 |
| Electric | 3,599,837 | (88,513) | 3,511,324 |
| Wastewater | 1,687,360 | (14,479) | 1,672,881 |
| Nonmajor Proprietary Funds | 442,274 | (16,823) | 425,451 |
| | <u>\$ 7,336,307</u> | <u>\$ (176,225)</u> | <u>\$ 7,160,082</u> |

Note 7: Loans Receivable

The City has entered into various loan agreements relating to owners participation agreements, developer loans, the first time home buyer loan program, the rehabilitation loan program, and various other loans receivable. The owners' participation agreements have repayment terms between 6 and 55 years. The following summarizes the loans outstanding at June 30, 2012:

| Description | Balance at June 30, 2012 |
|---|-----------------------------|
| Owners participation loans | \$ 500,000 |
| First time home buyer down payment assistance loans | 460,000 |
| Rehabilitation loans | 149,236 |
| Other loans | 51,619 |
| Total loans receivable at June 30, 2012 | <u>\$ 1,160,855</u> |

Note 8: Deposits with Other Agencies

On August 14, 2001, the City of Banning adopted Resolution 2001-85, approving the Utility Services Agreement between the City of Banning and the City of Riverside. Under this agreement, the City of Riverside shall provide scheduling, dispatching and other related electric utility services to the City. The implementation of this agreement required the payment of a refundable deposit by the City of Banning to the City of Riverside. The amount of deposit with the City of Riverside as of June 30, 2012, amounted to \$1,158,458.

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 9: Long-Term Debt

The following is a summary of the changes in long-term debt for the fiscal year ended June 30, 2012:

| | Balance at July 1, 2011 | Incurred | Retired | Transferred to Successor Agency * | Balance at June 30, 2012 | Due Within One Year |
|-------------------------------------|----------------------------|---------------------|---------------------|---|-----------------------------|------------------------|
| Governmental Activities: | | | | | | |
| 2003 Tax Allocation Bonds | \$ 11,425,000 | \$ - | \$ 425,000 | \$ (11,000,000) | \$ - | \$ - |
| 2007 Tax Allocation Bonds | 29,355,000 | - | 505,000 | (28,850,000) | - | - |
| 2011 Refunding Lease | 3,455,000 | - | 307,844 | - | 3,147,156 | 320,963 |
| Loans Payable | 1,133,602 | - | 17,263 | (1,116,339) | - | - |
| Compensated Absences | | | | | | |
| Governmental Funds | 1,068,809 | 616,576 | 600,840 | - | 1,084,545 | 592,507 |
| Internal Service Funds | 165,482 | 105,484 | 83,001 | - | 187,965 | 95,551 |
| Claims and Judgment | 926,590 | 560,020 | 569,190 | - | 917,420 | 563,557 |
| Total | \$ 47,529,483 | \$ 1,282,080 | \$ 2,508,138 | \$ (40,966,339) | \$ 5,337,086 | \$ 1,572,578 |
| Business-Type Activities: | | | | | | |
| Loans Payable | \$ 2,649,445 | \$ - | \$ 235,403 | \$ - | \$ 2,414,042 | \$ 241,524 |
| 2005 Water Revenue Bond | 32,195,000 | - | 715,000 | - | 31,480,000 | 740,000 |
| 2005 Wastewater Revenue Bond | 5,835,000 | - | 135,000 | - | 5,700,000 | 140,000 |
| 2007 Electric Revenue Bond | 37,750,000 | - | 815,000 | - | 36,935,000 | 850,000 |
| Compensated Absences | 652,169 | 86,898 | 63,481 | - | 675,586 | 65,760 |
| Total | \$ 79,081,614 | \$ 86,898 | \$ 1,963,884 | \$ - | 77,204,628 | \$ 2,037,284 |
| Less: | | | | | | |
| Unamortized original issue premium | | | | | 1,676,938 | |
| Unamortized original issue discount | | | | | (99,086) | |
| Unamortized gain on defeasance | | | | | 67,667 | |
| Unamortized loss on defeasance | | | | | (479,323) | |
| Net Business-Type Activities | | | | | \$ 78,370,824 | |

* As a result of the dissolution of the redevelopment agency, indebtedness of the former redevelopment agency was transferred to the Successor Agency. See Note 17 for disclosures for indebtedness.

a. Compensated Absences

For governmental activities, accumulated vacation, sick leave benefits, holiday and compensatory time payable at June 30, 2012, was \$1,272,510 which includes \$187,965 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 \$675,586.

CITY OF BANNING**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
JUNE 30, 2012

Note 9: Long-Term Debt (Continued)**b. 2011 Refunding Lease Agreement**

On April 27, 2011, The City entered into a lease agreement for the purpose of refunding the 1997 Refunding Certificates of Participation. The lease agreement totals \$3,455,000 and is subject to an interest rate of 3.75% per annum. The lease agreement is payable on November 1 and May 1 of each year commencing November 1, 2011 through 2020 and is in connection with real property leased by the City to the funding corporate parties. At June 30, 2012, the outstanding balance on the refunding lease agreement is \$3,147,156.

| Year Ending June 30, | Principal | Interest | Total |
|-------------------------|---------------------|-------------------|---------------------|
| 2013 | \$ 320,963 | \$ 115,037 | \$ 436,000 |
| 2014 | 333,112 | 102,888 | 436,000 |
| 2015 | 345,720 | 90,280 | 436,000 |
| 2016 | 358,807 | 77,193 | 436,000 |
| 2017 | 372,388 | 63,612 | 436,000 |
| 2018-2022 | 1,416,166 | 108,089 | 1,524,255 |
| Total | <u>\$ 3,147,156</u> | <u>\$ 557,099</u> | <u>\$ 3,704,255</u> |

c. 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, 2012

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 |
|-------------------------|----------------------|----------------------|----------------------|
| 2012 - 2013 | \$ 740,000 | \$ 1,551,338 | \$ 2,291,338 |
| 2013 - 2014 | 770,000 | 1,521,138 | 2,291,138 |
| 2014 - 2015 | 805,000 | 1,487,625 | 2,292,625 |
| 2015 - 2016 | 840,000 | 1,451,675 | 2,291,675 |
| 2016 - 2017 | 875,000 | 1,416,338 | 2,291,338 |
| 2017 - 2022 | 4,945,000 | 6,483,813 | 11,428,813 |
| 2022 - 2027 | 6,275,000 | 5,110,900 | 11,385,900 |
| 2027 - 2032 | 8,090,000 | 3,241,875 | 11,331,875 |
| 2032 - 2037 | 8,140,000 | 882,263 | 9,022,263 |
| Totals | <u>\$ 31,480,000</u> | <u>\$ 23,146,965</u> | <u>\$ 54,626,965</u> |

d. 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, 2012, amounted to \$5,700,000.

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**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 |
|-------------------------|---------------------|---------------------|---------------------|
| 2013 | \$ 140,000 | \$ 250,664 | \$ 390,664 |
| 2014 | 145,000 | 245,248 | 390,248 |
| 2015 | 155,000 | 239,395 | 394,395 |
| 2016 | 160,000 | 233,094 | 393,094 |
| 2017 | 165,000 | 226,430 | 391,430 |
| 2018-2022 | 930,000 | 1,022,800 | 1,952,800 |
| 2023-2027 | 1,150,000 | 795,500 | 1,945,500 |
| 2028-2032 | 1,445,000 | 498,922 | 1,943,922 |
| 2033-2037 | 1,410,000 | 133,894 | 1,543,894 |
| Total | <u>\$ 5,700,000</u> | <u>\$ 3,645,947</u> | <u>\$ 9,345,947</u> |

e. 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, 2012, was \$2,414,042. The loan is recorded in the BUA Wastewater Utility Enterprise Fund.

| Year Ending June 30, | Principal | Interest | Total |
|-------------------------|---------------------|-------------------|---------------------|
| 2013 | \$ 241,524 | \$ 62,765 | \$ 304,289 |
| 2014 | 247,802 | 56,485 | 304,287 |
| 2015 | 254,246 | 50,043 | 304,289 |
| 2016 | 260,857 | 43,432 | 304,289 |
| 2017 | 267,639 | 36,650 | 304,289 |
| 2018-2022 | 1,141,974 | 75,181 | 1,217,155 |
| Total | <u>\$ 2,414,042</u> | <u>\$ 324,556</u> | <u>\$ 2,738,598</u> |

f. 2007 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%.

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 9: Long-Term Debt (Continued)

In June 2010, the City partially defeased \$5,775,000 of the outstanding debt of the 2007 Electric Revenue Bonds and the liability for those bonds has been removed from long-term debt. This resulted in an economic gain of \$84,584 which will be amortized over the remaining life of the bond.

The outstanding balance at June 30, 2012, amounted to \$36,935,000. The total debt service payment requirements with respect to the above bonds are as follows:

| Year Ending June 30, | Principal | Interest | Total |
|-------------------------|----------------------|----------------------|----------------------|
| 2013 | \$ 850,000 | \$ 1,821,638 | \$ 2,671,638 |
| 2014 | 880,000 | 1,787,638 | 2,667,638 |
| 2015 | 935,000 | 1,737,038 | 2,672,038 |
| 2016 | 970,000 | 1,697,300 | 2,667,300 |
| 2017 | 1,020,000 | 1,648,800 | 2,668,800 |
| 2018-2022 | 5,920,000 | 7,426,250 | 13,346,250 |
| 2023-2027 | 7,555,000 | 5,797,425 | 13,352,425 |
| 2028-2032 | 9,305,000 | 3,804,500 | 13,109,500 |
| 2033-2037 | 7,715,000 | 1,641,500 | 9,356,500 |
| 2038-2042 | 1,785,000 | 89,250 | 1,874,250 |
| Total | <u>\$ 36,935,000</u> | <u>\$ 27,451,339</u> | <u>\$ 64,386,339</u> |

Note 10: 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, 2012 |
|---------------|--------------------|------------------------------|
| AD 91-1 1992* | \$ 2,422,134 | \$ - |
| AD 2004-1 | 2,898,000 | 2,560,000 |

* Called on September 2, 2011

Note 11: Operating Lease

In December 2005, the Banning Utility Authority entered into an operating lease with the City 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 \$651,000 during the fiscal year June 30, 2012.

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 12: 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, 2012, was 16.316% for miscellaneous employees. Benefit provisions and all other requirements are established by state statute and City contract with employee bargaining groups.

Annual Pension Cost and Funding Progress

For the year ended June 30, 2012, the City's annual pension cost (employer contribution) of \$1,107,308 for miscellaneous employees was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2009, actuarial valuation using the entry age normal actuarial cost method.

Three-Year Trend Information for PERS - Miscellaneous Plan

| <u>Fiscal Year</u> | <u>Annual Pension Cost (APC)*</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligations</u> |
|--------------------|---|--|------------------------------------|
| 6/30/2010 | \$ 861,528 | 100% | \$ - |
| 6/30/2011 | 808,988 | 100% | - |
| 6/30/2012 | 1,107,308 | 100% | - |

* Employer contribution

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 12: City Employees Retirement Plan (Defined Benefit Pension Plan) (Continued)

The summary of principal assumptions and methods used to determine the ARC is shown below:

| | |
|-----------------------------|---|
| Valuation date: | June 30, 2009 |
| Actuarial Cost Method: | Entry Age Normal Cost Method |
| Amortized Method: | Level Percent of Payroll |
| Average Remaining Period: | 26 Years as the of the valuation date |
| Asset Valuation Method: | 15 Year Smoothed Market |
| Actuarial Assumptions: | |
| Investment Rate of Return: | 7.75% (net of administrative expenses) |
| Projected Salary Increases: | 3.55% to 14.45% depending on Age, Service, and type of employment |
| Inflation | 3.00% |
| Payroll Growth: | 3.25% |
| Individual Salary Growth: | A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25% |

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a 30 year rolling period, which results in an amortization of about 6% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period.

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

| Actuarial Valuation Date | Entry Age Normal Accrued Liability | Actuarial Value of Assets | Unfunded AAL (UAAL) | Funded Ratio | Annual Covered Payroll | UAAL as a % of Covered Payroll |
|-----------------------------|---|---------------------------------|---------------------------|-----------------|------------------------------|---|
| 6/30/2009 | \$ 45,252 | \$ 36,376 | \$ 8,876 | 80.4% | \$ 7,505 | 118.3% |
| 6/30/2010 | 47,234 | 37,874 | 9,360 | 80.2% | 7,082 | 132.2% |
| 6/30/2011 | 51,555 | 39,621 | 11,934 | 76.9% | 6,613 | 180.5% |

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012
Note 12: City Employees Retirement Plan (Defined Benefit Pension Plan) (Continued)
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, 2012, was 37.172% 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, 2012, the City's annual pension cost (employer contribution) of \$969,995 for safety employees was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2009, actuarial valuation using the entry age normal actuarial cost method.

| Three-Year Trend Information for PERS - Safety Plan | | | |
|---|----------------------------------|-------------------------------------|----------------------------|
| Fiscal Year | Annual Pension Cost (APC)* | Percentage of APC Contributed | Net Pension Obligations |
| 6/30/2010 | \$ 838,611 | 100% | \$ - |
| 6/30/2011 | 821,715 | 100% | - |
| 6/30/2012 | 969,995 | 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 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 12: City Employees Retirement Plan (Defined Benefit Pension Plan) (Continued)

Annual Contributions

The amount of employee contributions was \$8,346 (9.4% of covered payroll). Total payroll for employees covered under this plan for the year was \$89,233.

Note 13: Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are solely the property and rights of the employee. Participants' rights under the plan are equal to an amount equal to the fair market of the deferred account for each participant.

The City has no liability for losses under the plan.

Note 14: 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) and excess insurance. 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 and excess insurance. 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, 2012, the amount of these liabilities was \$917,420. The amount represents an estimate of \$805,821 for reported claims through June 30, 2012, and \$111,599 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.

CITY OF BANNING**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
JUNE 30, 2012

Note 14: Insurance Programs (Continued)

Changes in the reported liability since June 30, 2012, resulted from the following:

| <u>Year</u> | <u>Liability at Beginning of Fiscal Year</u> | <u>Current Year Claims and Changes in Estimates</u> | <u>Claim Payments</u> | <u>Liability at End of Fiscal Year</u> |
|-------------|--|---|---------------------------|--|
| 2011 | \$ 903,988 | \$ 344,591 | \$ 321,989 | \$ 926,590 |
| 2012 | 926,590 | 560,020 | 569,190 | 917,420 |

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) which was established to pool resources, share risks, purchase excess insurance and share costs for professional risk management and claims administration. The City continues to carry commercial insurance for all other risks of loss.

Note 15: Commitments and 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.

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, 2012, was \$14,058,578.

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 15: Commitments and Contingencies (Continued)

Summary financial information (audited) of SCPPA for the fiscal year ended June 30, 2012, follows:

| | Amounts (in thousands) |
|---|---------------------------|
| Total Assets | \$ 3,768 |
| Total Liabilities | 3,897 |
| Total Net Assets | <u>\$ (129)</u> |
| Beginning Net Assets | \$ (127) |
| Total Revenues (including investment) | 707 |
| Total Expenses (including debt and loss on refunding) | (721) |
| Net Contributions (Withdrawals) by Participants | 12 |
| Ending Net Assets | <u>\$ (129)</u> |

Separate audited financial statements for SCPPA are available from SCPPA.

The following material construction commitments existed at June 30, 2012:

| Project Name | Contract Amount | Expenditures to date as of June 30, 2012 | Remaining Commitments |
|---|---------------------|--|--------------------------|
| Sunset Grade Separation-Riv. Cty Transportation | \$ 2,200,000 | \$ 1,598,172 | \$ 601,828 |
| Wastewater Treatment Plant Expansion-Parsons | 2,397,929 | 2,145,297 | 252,632 |
| Irrigation Water Pipeline - Albert Webb | 196,090 | 172,555 | 23,535 |
| Street & Electrical Improvements - Cooley Const | 497,163 | 445,761 | 51,402 |
| | <u>\$ 5,291,182</u> | <u>\$ 4,361,785</u> | <u>\$ 929,397</u> |

Note 16: Net Assets/Fund Balance Restatements

Government-wide/Redevelopment Agency – Capital Projects Fund

To correct prior years restatement of advance to the Redevelopment Agency from the Banning Utility Authority Water and Electric Utility. \$7,000,000

Business-type/Proprietary Funds

To correct prior years restatement of advance to the Redevelopment Agency from the Banning Utility Authority Water. \$(2,421,000)

To correct prior years restatement of advance to the Redevelopment Agency from the Electric Utility. (4,579,000)
\$(7,000,000)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 17: Successor Agency Trust For Assets of Former Redevelopment Agency

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 ("the Bill") that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Banning that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the "successor agency" to hold the assets until they are distributed to other units of state and local government. On January 24, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of City resolution number 2012-01.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The Bill directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The City's position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

Prior to that date, the final seven months of the activity of the redevelopment agency continued to be reported in the governmental funds of the City. After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 17: Successor Agency Trust For Assets of Former Redevelopment Agency (Continued)

The transfer of the assets and liabilities of the former redevelopment agency as of February 1, 2012 (effectively the same date as January 31, 2012) from governmental funds of the City to fiduciary funds was reported in the governmental funds as an extraordinary loss (or gain) in the governmental fund financial statements. The receipt of these assets and liabilities as of January 31, 2012 was reported in the private-purpose trust fund as an extraordinary gain (or loss).

Because of the different measurement focus of the governmental funds (*current financial resources measurement focus*) and the measurement focus of the trust funds (*economic resources measurement focus*), the extraordinary loss (gain) recognized in the governmental funds was not the same amount as the extraordinary gain (loss) that was recognized in the fiduciary fund financial statements.

The difference between the extraordinary loss recognized in the fund financial statements and the extraordinary gain recognized in the fiduciary fund financial statements is reconciled as follows:

| | |
|---|------------------------------|
| Total extraordinary loss reported in the governmental funds - increase the net assets of the Successor Agency Trust Fund | \$ 21,455,362 |
| Deferred revenues recorded in the governmental funds - increase the net assets of the Successor Agency Trust Fund | 5,314,501 |
| Capital assets recorded in the government-wide financial statements - increase the net assets of the Successor Agency Trust Fund | 9,361,962 |
| Unamortized bond issuance costs reported in the government-wide financial statements - increase the net assets of the Successor Agency Bond Trust Fund | 1,262,492 |
| Long-term debt reported in the government-wide financial statements - decrease the net assets of the Successor Agency Trust Fund | (40,966,339) |
| Unamortized discounts on the long-term debt reported in the government-wide financial statements - increase the net assets of the Successor Agency Trust Fund | <u>743,502</u> |
| Net decrease to net assets of the Successor Agency Trust Fund as a result of initial transfers (equal to amount of extraordinary gain reported in the government-wide financial statements of the City) | <u><u>\$ (2,828,520)</u></u> |

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 17: Successor Agency Trust For Assets of Former Redevelopment Agency (Continued)

a. Cash and investments

Cash and investments reported in the accompanying financial statements consisted of the following:

| | |
|---|----------------------|
| Cash and investments pooled with the City | \$ 6,055,420 |
| Cash and investments with fiscal agent | <u>11,194,724</u> |
| | <u>\$ 17,250,144</u> |

b. Loans Receivable

The former redevelopment agency had entered into various loan agreements relating to owners participation agreements and various other loans receivable. The owners participation agreements have repayment terms between 6 and 55 years. The following summarizes the loans outstanding at June 30, 2012:

| Description | Balance at June 30, 2012 |
|---|-----------------------------|
| Owners participation loans | \$ 6,395,029 |
| Disposition and development agreements | <u>1,020,000</u> |
| Total loans receivable at June 30, 2011 | <u>\$ 7,415,029</u> |

c. Capital Assets

An analysis of capital assets as of June 30, 2012, follows:

| | Balance July 1, 2011 | Transferred from former RDA | Transfers | Additions | Deletions | Balance June 30, 2012 |
|--------------------------------------|-------------------------|--------------------------------|-----------|------------|-----------|--------------------------|
| Nondepreciable Assets: | | | | | | |
| Land | \$ - | \$ 3,283,270 | \$ - | \$ - | \$ - | \$ 3,283,270 |
| Construction-in-progress | - | 653,319 | (586,688) | 448,721 | - | 515,352 |
| Total nondepreciable assets | - | 3,936,589 | (586,688) | 448,721 | - | 3,798,622 |
| Depreciable Assets: | | | | | | |
| Land Improvements | - | 1,520,000 | 586,688 | 94,472 | - | 2,201,160 |
| Building and Structures | - | 1,803,606 | - | - | - | 1,803,606 |
| Machinery and Equipment | - | 28,378 | - | - | - | 28,378 |
| Infrastructure | - | 2,783,428 | - | - | - | 2,783,428 |
| Total depreciable assets | - | 6,135,412 | 586,688 | 94,472 | - | 6,816,572 |
| Less Accumulated Depreciation | | | | | | |
| Land Improvements | - | 371,233 | - | 34,715 | - | 405,948 |
| Building and Structures | - | 83,704 | - | 21,609 | - | 105,313 |
| Machinery and Equipment | - | 28,378 | - | - | - | 28,378 |
| Infrastructure | - | 226,724 | - | 38,000 | - | 264,724 |
| Total Accumulated Depreciation | - | 710,039 | - | 94,324 | - | 804,363 |
| Total depreciable assets, net | - | 5,425,373 | 586,688 | 148 | - | 6,012,209 |
| Capital Assets | \$ - | \$ 9,361,962 | \$ - | \$ 448,869 | \$ - | \$ 9,810,831 |

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 17: Successor Agency Trust For Assets of Former Redevelopment Agency (Continued)

d. Long-Term Debt

The following debt was transferred from the Redevelopment Agency to the Successor Agency as of February 1, 2012 as a result of the dissolution.

A description of long-term debt outstanding of the Successor Agency as of June 30, 2012, follows:

| | Balance July 1, 2011 | Transferred from the former RDA | Additions | Repayments | Balance June 30, 2012 | Due Within One Year |
|---------------------------------------|-------------------------|---------------------------------------|-------------|--------------------------------|--------------------------|------------------------|
| Fiduciary Funds: | | | | | | |
| 2003 Tax Allocation Bonds | \$ - | \$ 11,000,000 | \$ - | \$ - | \$ 11,000,000 | \$ 440,000 |
| 2007 Tax Allocation Bonds | - | 28,850,000 | - | - | 28,850,000 | 570,000 |
| Loans Payable | - | 1,116,339 | - | 22,758 | 1,093,581 | 42,681 |
| City of Banning Electric Utility Fund | - | 125,263 | - | 25,825 | 99,438 | 79,965 |
| SERAF loan | - | 2,298,433 | - | - | 2,298,433 | - |
| Total Fiduciary Funds | \$ - | \$ 43,390,035 | \$ - | \$ 48,583 | 43,341,452 | \$ 1,132,646 |
| | | | | Unamortized Premiums/Discounts | (730,904) | |
| | | | | Total Long-term Debt | <u>\$ 42,610,548</u> | |

e. Downgrade of Tax Allocation Bonds

On June 14, 2012, Moody's Investors Service ("Moody's") downgraded all California tax allocation bonds rated 'Baa3' and above. As such, the Bonds' insured rating was downgraded from 'A3' to 'Ba1' and underlying rating was downgraded from 'A3' to 'Ba1'. According to Moody's, all California tax allocation bond ratings remain on review for possible withdrawal.

f. 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 \$971,763 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, 2012, totaled \$11,000,000.

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**Note 17: Successor Agency Trust For Assets of Former Redevelopment Agency (Continued)**

| Year Ending June 30, | Principal | Interest | Total |
|-------------------------|----------------------|---------------------|----------------------|
| 2013 | \$ 440,000 | \$ 518,195 | \$ 958,195 |
| 2014 | 460,000 | 497,995 | 957,995 |
| 2015 | 480,000 | 478,895 | 958,895 |
| 2016 | 500,000 | 458,370 | 958,370 |
| 2017 | 520,000 | 436,370 | 956,370 |
| 2018-2022 | 2,990,000 | 1,785,218 | 4,775,218 |
| 2023-2027 | 3,805,000 | 944,875 | 4,749,875 |
| 2028-2032 | 1,805,000 | 91,375 | 1,896,375 |
| Total | <u>\$ 11,000,000</u> | <u>\$ 5,211,293</u> | <u>\$ 16,211,293</u> |

g. 2007 Tax Allocation Bonds

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

The bonds consist of serial bonds maturing in the years 2009 to 2030 payable August 1 in annual installments of \$245,000 to \$1,805,000. The bonds bear interest at 4.0% to 4.25%. Bonds maturing after August 1, 2030, in the amount of \$9,500,000 are term bonds and bear interest at 4.375%. Serial bonds maturing on or after August 1, 2014, are subject to redemption prior to maturity, in whole or in part at the option of the Agency from any available source of funds. Term bonds maturing on August 1, 2037, are subject to mandatory redemption in part or by lot from sinking fund payments made by the Agency. The amount of bonds outstanding at June 30, 2012, totaled \$28,850,000.

| Year Ending June 30, | Principal | Interest | Total |
|-------------------------|----------------------|----------------------|----------------------|
| 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 |
| 2016 | 750,000 | 1,111,466 | 1,861,466 |
| 2017 | 780,000 | 1,083,829 | 1,863,829 |
| 2018-2022 | 4,345,000 | 4,941,877 | 9,286,877 |
| 2023-2027 | 5,295,000 | 3,971,350 | 9,266,350 |
| 2028-2032 | 7,475,000 | 2,631,850 | 10,106,850 |
| 2033-2037 | 6,995,000 | 1,040,266 | 8,035,266 |
| 2038-2042 | 1,235,000 | 27,016 | 1,262,016 |
| Total | <u>\$ 28,850,000</u> | <u>\$ 18,297,777</u> | <u>\$ 47,147,777</u> |

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 17: Successor Agency Trust For Assets of Former Redevelopment Agency (Continued)

h. 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, 2012, the outstanding balance on the note payable is \$157,862.

| Year Ending June 30, | Principal | Interest | Total |
|-------------------------|-------------------|------------------|-------------------|
| 2013 | \$ 10,270 | \$ 10,261 | \$ 20,531 |
| 2014 | 10,937 | 9,593 | 20,530 |
| 2015 | 11,648 | 8,883 | 20,531 |
| 2016 | 12,405 | 8,125 | 20,530 |
| 2017 | 13,212 | 7,319 | 20,531 |
| 2018-2022 | 80,112 | 22,542 | 102,654 |
| 2023-2027 | 19,278 | 1,253 | 20,531 |
| Total | <u>\$ 157,862</u> | <u>\$ 67,976</u> | <u>\$ 225,838</u> |

i. 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, 2012, the outstanding balance on the note payable is \$935,719.

| Year Ending June 30, | Principal | Interest | Total |
|-------------------------|-------------------|-------------------|---------------------|
| 2013 | \$ 32,411 | \$ 55,280 | \$ 87,691 |
| 2014 | 34,410 | 53,281 | 87,691 |
| 2015 | 36,532 | 51,159 | 87,691 |
| 2016 | 38,649 | 49,041 | 87,690 |
| 2017 | 793,717 | 4,045 | 797,762 |
| Total | <u>\$ 935,719</u> | <u>\$ 212,806</u> | <u>\$ 1,148,525</u> |

j. City Loans

During the fiscal year 1993-1994 the City of Banning's Electric Utility Fund advanced funds to the Agency in order to assist in the implementation of the Owner Participation Agreement with Colescott, Inc. for the development of the Sunset Auto Plaza. The loan agreement is subject to a 5% interest rate and payable in 20 years. As of June 30, 2012, the outstanding balance is \$99,438.

CITY OF BANNING**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
JUNE 30, 2012

Note 17: Successor Agency Trust For Assets of Former Redevelopment Agency (Continued)

The following schedule illustrates the debt service requirements to maturity for the City Loans outstanding as of June 30, 2012:

| | City Loans | | Total |
|-----------|------------------|-----------------|-------------------|
| | Principal | Interest | |
| 2012-2013 | \$ 79,964 | \$ 3,081 | \$ 83,045 |
| 2013-2014 | 19,474 | 141 | 19,615 |
| Total | <u>\$ 99,438</u> | <u>\$ 3,222</u> | <u>\$ 102,660</u> |

k. Supplement Education Augmentation Fund (SERAF) Loan

The advance for \$2,298,433 from the Low and Moderate Income Housing Fund to the Redevelopment Agency Debt Service Fund was made to fund the mandated payment for the "Supplemental" Educational Revenue Augmentation Fund.

Pledged Revenue

The City pledged, as security for bonds issued, either directly or through the Financing Authority, a portion of tax increment revenue (including Low and Moderate Income Housing set-aside and pass through allocations) that it receives. The bonds issued were to provide financing for various capital projects, accomplish Low and Moderate Income Housing projects and to defease previously issued bonds. Assembly Bill 1X 26 provided that upon dissolution of the Redevelopment Agency, property taxes allocated to redevelopment agencies no longer are deemed tax increment but rather property tax revenues and will be allocated first to successor agencies to make payments on the indebtedness incurred by the dissolved redevelopment agency. Total principal and interest remaining on the debt is \$63,359,069 with annual debt service requirements as indicated above. For the current year, the total property tax revenue recognized by the City and Successor Agency for the payment of indebtedness incurred by the dissolved redevelopment agency was \$3,396,409 and the debt service obligation on the bonds was \$2,677,414.

l. Insurance

The Successor Agency is covered under the City of Banning's insurance policies. Therefore, the limitation and self-insured retentions applicable to the City also apply to the Successor Agency. Additional information as to coverage and self-insured retentions can be found in Note 14.

m. Commitments and Contingencies

At June 30, 2012, the Successor Agency was involved as a defendant in several lawsuits arising out of the ordinary conduct of its affairs. It is the opinion of management that settlements of these lawsuits, including losses for claims that are incurred but not reported, if any, will not have a material effect on the financial position of the Successor Agency.

Note 17: Successor Agency Trust For Assets of Former Redevelopment Agency (Continued)

n. Subsequent Events

Assembly Bill 1484 established a requirement for the successor agency to remit to the County auditor-controller three payments as determined by the auditor-controller which consist of a payment to be made in July 2012 for taxing entities' share of December 2011 property tax distribution to redevelopment agency/successor agency, a payment to be made in November 2012 related to Low-Moderate Income Housing Fund Due Diligence Review for unencumbered cash, and a payment to be made in April 2013 related to the other Redevelopment Funds Due Diligence Review for unencumbered cash. As of the date of the report no payment was made in July 2012. In addition, the Low-Moderate Income Housing Due Diligence Review resulted in an amount due of \$1,822,344, which had no adjustments after the Department of Finance's review and the other Redevelopment Funds Due Diligence Review resulted in an adjusted amount due of \$988,115 after the Department of Finance's review. The City has engaged in a meet and confer with the Department of Finance and the final determination has not been made on the meet and confer process.

CITY OF BANNING

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012**

| | Special Revenue Funds | | | |
|--|-----------------------|-------------------|-------------------|-----------------------|
| | Gas Tax Street | Measure A | SB 300 Street | Article 3 Sidewalk |
| Assets: | | | | |
| Pooled cash and investments | \$ 291,040 | \$ 706,966 | \$ 147,734 | \$ 13,251 |
| Receivables: | | | | |
| Accounts | 100 | - | - | - |
| Loans | 831 | - | - | - |
| Interest | 712 | 490 | 125 | 63 |
| Due from other governments | 506,737 | 185,396 | - | - |
| Restricted assets: | | | | |
| Cash and investments with fiscal agents | - | - | - | - |
| Total Assets | \$ 799,420 | \$ 892,852 | \$ 147,859 | \$ 13,314 |
| Liabilities and Fund Balances: | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 9,995 | \$ - | \$ - | \$ - |
| Accrued liabilities | 8,323 | - | - | - |
| Deferred revenues | - | - | - | - |
| Deposits payable | 95,961 | - | - | - |
| Due to other funds | - | - | - | - |
| Total Liabilities | 114,279 | - | - | - |
| Fund Balances: | | | | |
| Nonspendable: | | | | |
| Loans receivable | 831 | - | - | - |
| Restricted for: | | | | |
| Community development projects | - | - | - | - |
| Public safety | - | - | - | - |
| Parks and recreation | - | - | - | - |
| Public works | 684,310 | 892,852 | - | - |
| Capital Projects | - | - | 147,859 | 13,314 |
| Assigned to: | | | | |
| Capital Projects | - | - | - | - |
| Unassigned | - | - | - | - |
| Total Fund Balances | 685,141 | 892,852 | 147,859 | 13,314 |
| Total Liabilities and Fund Balances | \$ 799,420 | \$ 892,852 | \$ 147,859 | \$ 13,314 |

CITY OF BANNING

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2012

(Continued)

| | Special Revenue Funds | | | |
|--|---|--------------------------------------|----------------------------------|---------------------|
| | Community Development Block Grant | Landscape Maintenance District | AQMD Air Pollution Program | Asset Forfeiture |
| Assets: | | | | |
| Pooled cash and investments | \$ 26 | \$ 218,304 | \$ 163,374 | \$ 2,494 |
| Receivables: | | | | |
| Accounts | - | - | - | - |
| Loans | - | - | - | - |
| Interest | - | 170 | 134 | 2 |
| Due from other governments | 5,275 | 2,471 | 9,240 | - |
| Restricted assets: | | | | |
| Cash and investments with fiscal agents | - | - | - | - |
| Total Assets | \$ 5,301 | \$ 220,945 | \$ 172,748 | \$ 2,496 |
| Liabilities and Fund Balances: | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ - | \$ 2,682 | \$ - | \$ - |
| Accrued liabilities | - | - | - | - |
| Deferred revenues | 5,275 | 1,297 | - | - |
| Deposits payable | - | - | - | - |
| Due to other funds | 5,300 | - | - | - |
| Total Liabilities | 10,575 | 3,979 | - | - |
| Fund Balances: | | | | |
| Nonspendable: | | | | |
| Loans receivable | - | - | - | - |
| Restricted for: | | | | |
| Community development projects | - | - | - | - |
| Public safety | - | - | - | 2,496 |
| Parks and recreation | - | - | - | - |
| Public works | - | - | 172,748 | - |
| Capital Projects | - | 216,966 | - | - |
| Assigned to: | | | | |
| Capital Projects | - | - | - | - |
| Unassigned | (5,274) | - | - | - |
| Total Fund Balances | (5,274) | 216,966 | 172,748 | 2,496 |
| Total Liabilities and Fund Balances | \$ 5,301 | \$ 220,945 | \$ 172,748 | \$ 2,496 |

CITY OF BANNING

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012**

| | Special Revenue Funds | | | |
|--|------------------------------------|----------------------------|------------------------|----------------------|
| | Supplemental Law Enforcement | Public Safety Sales Tax | State Park Bond Act | Special Donations |
| Assets: | | | | |
| Pooled cash and investments | \$ 233,103 | \$ 8,318 | \$ 932 | \$ 29,136 |
| Receivables: | | | | |
| Accounts | - | - | - | - |
| Loans | - | - | - | - |
| Interest | 190 | 11 | 1 | - |
| Due from other governments | 25,000 | 16,300 | - | - |
| Restricted assets: | | | | |
| Cash and investments with fiscal agents | - | - | - | - |
| Total Assets | \$ 258,293 | \$ 24,629 | \$ 933 | \$ 29,136 |
| Liabilities and Fund Balances: | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 5,143 | \$ - | \$ - | \$ - |
| Accrued liabilities | - | - | - | - |
| Deferred revenues | - | - | - | - |
| Deposits payable | - | - | - | 4,315 |
| Due to other funds | - | - | - | - |
| Total Liabilities | 5,143 | - | - | 4,315 |
| Fund Balances: | | | | |
| Nonspendable: | | | | |
| Loans receivable | - | - | - | - |
| Restricted for: | | | | |
| Community development projects | - | - | - | - |
| Public safety | 253,150 | 24,629 | - | - |
| Parks and recreation | - | - | - | 24,821 |
| Public works | - | - | - | - |
| Capital Projects | - | - | 933 | - |
| Assigned to: | | | | |
| Capital Projects | - | - | - | - |
| Unassigned | - | - | - | - |
| Total Fund Balances | 253,150 | 24,629 | 933 | 24,821 |
| Total Liabilities and Fund Balances | \$ 258,293 | \$ 24,629 | \$ 933 | \$ 29,136 |

CITY OF BANNING

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012**

(Continued)

| | Special Revenue Funds | | | |
|--|-----------------------------|------------------------------|---------------------|------------------------------------|
| | Senior Center Activities | Animal Control Reserve | Police Volunteer | Ramsey/ Highland Home Signal |
| Assets: | | | | |
| Pooled cash and investments | \$ 67,650 | \$ 4,888 | \$ 3,994 | \$ 80,398 |
| Receivables: | | | | |
| Accounts | - | - | - | - |
| Loans | - | - | - | - |
| Interest | 57 | 4 | 3 | 68 |
| Due from other governments | - | - | - | - |
| Restricted assets: | | | | |
| Cash and investments with fiscal agents | - | - | - | - |
| Total Assets | \$ 67,707 | \$ 4,892 | \$ 3,997 | \$ 80,466 |
| Liabilities and Fund Balances: | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 103 | \$ - | \$ 304 | \$ - |
| Accrued liabilities | - | - | - | - |
| Deferred revenues | - | - | - | - |
| Deposits payable | - | - | - | - |
| Due to other funds | - | - | - | - |
| Total Liabilities | 103 | - | 304 | - |
| Fund Balances: | | | | |
| Nonspendable: | | | | |
| Loans receivable | - | - | - | - |
| Restricted for: | | | | |
| Community development projects | - | - | - | - |
| Public safety | - | 4,892 | 3,693 | - |
| Parks and recreation | 67,604 | - | - | - |
| Public works | - | - | - | 80,466 |
| Capital Projects | - | - | - | - |
| Assigned to: | | | | |
| Capital Projects | - | - | - | - |
| Unassigned | - | - | - | - |
| Total Fund Balances | 67,604 | 4,892 | 3,693 | 80,466 |
| Total Liabilities and Fund Balances | \$ 67,707 | \$ 4,892 | \$ 3,997 | \$ 80,466 |

CITY OF BANNING

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

| | Special Revenue Funds | | | Capital Projects Funds |
|--|---------------------------------|-------------------------|---------------------------------|-------------------------------------|
| | Wilson Median Improvement | Riverside County MOU | Banning Housing Authority | Police Facilities Development |
| Assets: | | | | |
| Pooled cash and investments | \$ 376,207 | \$ 247,447 | \$ 2,519,312 | \$ 33,860 |
| Receivables: | | | | |
| Accounts | - | - | - | - |
| Loans | - | - | 1,109,236 | - |
| Interest | 317 | 271 | 2,302 | 29 |
| Due from other governments | - | - | 2,298,433 | - |
| Restricted assets: | | | | |
| Cash and investments with fiscal agents | - | - | - | - |
| Total Assets | \$ 376,524 | \$ 247,718 | \$ 5,929,283 | \$ 33,889 |
| Liabilities and Fund Balances: | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ - | \$ - | \$ 74,720 | \$ - |
| Accrued liabilities | - | 8,515 | 386 | - |
| Deferred revenues | - | - | 1,109,236 | - |
| Deposits payable | - | - | - | - |
| Due to other funds | - | - | - | - |
| Total Liabilities | - | 8,515 | 1,184,342 | - |
| Fund Balances: | | | | |
| Nonspendable: | | | | |
| Loans receivable | - | - | - | - |
| Restricted for: | | | | |
| Community development projects | - | - | 4,744,941 | - |
| Public safety | - | 239,203 | - | - |
| Parks and recreation | - | - | - | - |
| Public works | 376,524 | - | - | - |
| Capital Projects | - | - | - | - |
| Assigned to: | | | | |
| Capital Projects | - | - | - | 33,889 |
| Unassigned | - | - | - | - |
| Total Fund Balances | 376,524 | 239,203 | 4,744,941 | 33,889 |
| Total Liabilities and Fund Balances | \$ 376,524 | \$ 247,718 | \$ 5,929,283 | \$ 33,889 |

CITY OF BANNING

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012**

(Continued)

| | Capital Projects Funds | | | |
|--|--|---------------------------------------|-------------------------------|-----------------------------|
| | Fire Facilities Development | Traffic Control Facilities | General Facilities | Park Development |
| Assets: | | | | |
| Pooled cash and investments | \$ 930,278 | \$ 422,961 | \$ 474,869 | \$ 155,450 |
| Receivables: | | | | |
| Accounts | - | - | - | - |
| Loans | - | - | - | - |
| Interest | 784 | 356 | 400 | 131 |
| Due from other governments | - | - | - | - |
| Restricted assets: | | | | |
| Cash and investments with fiscal agents | - | - | - | - |
| Total Assets | \$ 931,062 | \$ 423,317 | \$ 475,269 | \$ 155,581 |
| Liabilities and Fund Balances: | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - |
| Accrued liabilities | - | - | - | - |
| Deferred revenues | - | - | - | - |
| Deposits payable | - | - | - | - |
| Due to other funds | - | - | - | - |
| Total Liabilities | - | - | - | - |
| Fund Balances: | | | | |
| Nonspendable: | | | | |
| Loans receivable | - | - | - | - |
| Restricted for: | | | | |
| Community development projects | - | - | - | - |
| Public safety | - | - | - | - |
| Parks and recreation | - | - | - | - |
| Public works | - | - | - | - |
| Capital Projects | - | - | - | - |
| Assigned to: | | | | |
| Capital Projects | 931,062 | 423,317 | 475,269 | 155,581 |
| Unassigned | - | - | - | - |
| Total Fund Balances | 931,062 | 423,317 | 475,269 | 155,581 |
| Total Liabilities and Fund Balances | \$ 931,062 | \$ 423,317 | \$ 475,269 | \$ 155,581 |

CITY OF BANNING

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012**

| | Capital Projects Funds | | | Debt Service Funds |
|--|-------------------------------|--------------------------------|-----------------------------|---------------------------|
| | Capital Improvement | Sunset Grade Separation | Capital Projects RDA | Debt Service RDA |
| Assets: | | | | |
| Pooled cash and investments | \$ 23 | \$ 241 | \$ - | \$ - |
| Receivables: | | | | |
| Accounts | - | - | - | - |
| Loans | - | - | - | - |
| Interest | - | 236 | - | - |
| Due from other governments | - | 491,397 | - | - |
| Restricted assets: | | | | |
| Cash and investments with fiscal agents | 2,106,730 | - | - | - |
| Total Assets | \$ 2,106,753 | \$ 491,874 | \$ - | \$ - |
| Liabilities and Fund Balances: | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ - | \$ 491,397 | \$ - | \$ - |
| Accrued liabilities | - | - | - | - |
| Deferred revenues | - | 491,397 | - | - |
| Deposits payable | - | - | - | - |
| Due to other funds | 1,445,800 | 280,400 | - | - |
| Total Liabilities | 1,445,800 | 1,263,194 | - | - |
| Fund Balances: | | | | |
| Nonspendable: | | | | |
| Loans receivable | - | - | - | - |
| Restricted for: | | | | |
| Community development projects | - | - | - | - |
| Public safety | - | - | - | - |
| Parks and recreation | - | - | - | - |
| Public works | - | - | - | - |
| Capital Projects | - | - | - | - |
| Assigned to: | | | | |
| Capital Projects | 660,953 | - | - | - |
| Unassigned | - | (771,320) | - | - |
| Total Fund Balances | 660,953 | (771,320) | - | - |
| Total Liabilities and Fund Balances | \$ 2,106,753 | \$ 491,874 | \$ - | \$ - |

CITY OF BANNING

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2012

| | Total Governmental Funds |
|--|---|
| Assets: | |
| Pooled cash and investments | \$ 7,132,256 |
| Receivables: | |
| Accounts | 100 |
| Loans | 1,110,067 |
| Interest | 6,856 |
| Due from other governments | 3,540,249 |
| Restricted assets: | |
| Cash and investments with fiscal agents | 2,106,730 |
| Total Assets | \$ 13,896,258 |
| Liabilities and Fund Balances: | |
| Liabilities: | |
| Accounts payable | \$ 584,344 |
| Accrued liabilities | 17,224 |
| Deferred revenues | 1,607,205 |
| Deposits payable | 100,276 |
| Due to other funds | 1,731,500 |
| Total Liabilities | 4,040,549 |
| Fund Balances: | |
| Nonspendable: | |
| Loans receivable | 831 |
| Restricted for: | |
| Community development projects | 4,744,941 |
| Public safety | 528,063 |
| Parks and recreation | 92,425 |
| Public works | 2,206,900 |
| Capital Projects | 379,072 |
| Assigned to: | |
| Capital Projects | 2,680,071 |
| Unassigned | (776,594) |
| Total Fund Balances | 9,855,709 |
| Total Liabilities and Fund Balances | \$ 13,896,258 |

CITY OF BANNING

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

| | Special Revenue Funds | | | |
|---|-----------------------|-------------------|-------------------|-----------------------|
| | Gas Tax Street | Measure A | SB 300 Street | Article 3 Sidewalk |
| Revenues: | | | | |
| Taxes | \$ - | \$ 434,582 | \$ - | \$ - |
| Intergovernmental | 1,247,729 | 99,606 | - | - |
| Charges for services | - | - | - | - |
| Use of money and property | 2,222 | 1,779 | 379 | 299 |
| Miscellaneous | 2,399 | - | - | - |
| Total Revenues | 1,252,350 | 535,967 | 379 | 299 |
| Expenditures: | | | | |
| Current: | | | | |
| General government | - | - | - | - |
| Public safety | - | - | - | - |
| Community development | - | - | - | - |
| Parks and recreation | - | - | - | - |
| Public works | 867,690 | - | - | - |
| Capital outlay | - | 1,264,096 | - | - |
| Debt service: | | | | |
| Principal retirement | - | - | - | - |
| Interest and fiscal charges | - | - | - | - |
| Total Expenditures | 867,690 | 1,264,096 | - | - |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 384,660 | (728,129) | 379 | 299 |
| Other Financing Sources (Uses): | | | | |
| Transfers in | 164,325 | 527,565 | - | - |
| Transfers out | (638,587) | - | - | - |
| Total Other Financing Sources (Uses) | (474,262) | 527,565 | - | - |
| Extraordinary gain/(loss) on dissolution of redevelopment agency (Note 17) | - | - | - | - |
| Net Change in Fund Balances | (89,602) | (200,564) | 379 | 299 |
| Fund Balances, Beginning of Year | 774,743 | 1,093,416 | 147,480 | 13,015 |
| Restatements | - | - | - | - |
| Fund Balances, Beginning of Year, as Restated | 774,743 | 1,093,416 | 147,480 | 13,015 |
| Fund Balances, End of Year | \$ 685,141 | \$ 892,852 | \$ 147,859 | \$ 13,314 |

CITY OF BANNING

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

(Continued)

| | Special Revenue Funds | | | |
|---|---|--------------------------------------|----------------------------------|---------------------|
| | Community Development Block Grant | Landscape Maintenance District | AQMD Air Pollution Program | Asset Forfeiture |
| Revenues: | | | | |
| Taxes | \$ - | \$ 130,263 | \$ - | \$ - |
| Intergovernmental | 14,000 | - | 37,429 | - |
| Charges for services | - | - | - | - |
| Use of money and property | - | 486 | 428 | 6 |
| Miscellaneous | - | - | - | - |
| Total Revenues | 14,000 | 130,749 | 37,857 | 6 |
| Expenditures: | | | | |
| Current: | | | | |
| General government | - | - | - | - |
| Public safety | - | - | - | - |
| Community development | - | - | - | - |
| Parks and recreation | 14,000 | - | - | - |
| Public works | - | 125,442 | 3,000 | - |
| Capital outlay | - | - | - | - |
| Debt service: | | | | |
| Principal retirement | - | - | - | - |
| Interest and fiscal charges | - | - | - | - |
| Total Expenditures | 14,000 | 125,442 | 3,000 | - |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | - | 5,307 | 34,857 | 6 |
| Other Financing Sources (Uses): | | | | |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| Total Other Financing Sources (Uses) | - | - | - | - |
| Extraordinary gain/(loss) on dissolution of redevelopment agency (Note 17) | - | - | - | - |
| Net Change in Fund Balances | - | 5,307 | 34,857 | 6 |
| Fund Balances, Beginning of Year | (5,274) | 211,659 | 137,891 | 2,490 |
| Restatements | - | - | - | - |
| Fund Balances, Beginning of Year, as Restated | (5,274) | 211,659 | 137,891 | 2,490 |
| Fund Balances, End of Year | \$ (5,274) | \$ 216,966 | \$ 172,748 | \$ 2,496 |

CITY OF BANNING

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

| | Special Revenue Funds | | | |
|---|------------------------------------|----------------------------|------------------------|----------------------|
| | Supplemental Law Enforcement | Public Safety Sales Tax | State Park Bond Act | Special Donations |
| Revenues: | | | | |
| Taxes | \$ - | \$ 204,717 | \$ - | \$ - |
| Intergovernmental | 100,000 | - | - | - |
| Charges for services | - | - | - | - |
| Use of money and property | 703 | 51 | 3 | - |
| Miscellaneous | - | - | - | 10,450 |
| Total Revenues | 100,703 | 204,768 | 3 | 10,450 |
| Expenditures: | | | | |
| Current: | | | | |
| General government | - | - | - | - |
| Public safety | 34,752 | - | - | - |
| Community development | - | - | - | - |
| Parks and recreation | - | - | - | 8,425 |
| Public works | - | - | - | - |
| Capital outlay | - | - | - | - |
| Debt service: | | | | |
| Principal retirement | - | - | - | - |
| Interest and fiscal charges | - | - | - | - |
| Total Expenditures | 34,752 | - | - | 8,425 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 65,951 | 204,768 | 3 | 2,025 |
| Other Financing Sources (Uses): | | | | |
| Transfers in | - | - | - | - |
| Transfers out | - | (202,676) | - | - |
| Total Other Financing Sources (Uses) | - | (202,676) | - | - |
| Extraordinary gain/(loss) on dissolution of redevelopment agency (Note 17) | - | - | - | - |
| Net Change in Fund Balances | 65,951 | 2,092 | 3 | 2,025 |
| Fund Balances, Beginning of Year | 187,199 | 22,537 | 930 | 22,796 |
| Restatements | - | - | - | - |
| Fund Balances, Beginning of Year, as Restated | 187,199 | 22,537 | 930 | 22,796 |
| Fund Balances, End of Year | \$ 253,150 | \$ 24,629 | \$ 933 | \$ 24,821 |

CITY OF BANNING

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

(Continued)

| | Special Revenue Funds | | | |
|---|-----------------------------|------------------------------|---------------------|------------------------------------|
| | Senior Center Activities | Animal Control Reserve | Police Volunteer | Ramsey/ Highland Home Signal |
| Revenues: | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental | - | - | - | - |
| Charges for services | 160 | - | - | - |
| Use of money and property | 172 | 13 | 6 | 206 |
| Miscellaneous | 6,529 | - | - | - |
| Total Revenues | 6,861 | 13 | 6 | 206 |
| Expenditures: | | | | |
| Current: | | | | |
| General government | - | - | - | - |
| Public safety | - | - | 580 | - |
| Community development | - | - | - | - |
| Parks and recreation | 8,187 | - | - | - |
| Public works | - | - | - | - |
| Capital outlay | - | - | - | - |
| Debt service: | | | | |
| Principal retirement | - | - | - | - |
| Interest and fiscal charges | - | - | - | - |
| Total Expenditures | 8,187 | - | 580 | - |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (1,326) | 13 | (574) | 206 |
| Other Financing Sources (Uses): | | | | |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| Total Other Financing Sources (Uses) | - | - | - | - |
| Extraordinary gain/(loss) on dissolution of redevelopment agency (Note 17) | - | - | - | - |
| Net Change in Fund Balances | (1,326) | 13 | (574) | 206 |
| Fund Balances, Beginning of Year | 68,930 | 4,879 | 4,267 | 80,260 |
| Restatements | - | - | - | - |
| Fund Balances, Beginning of Year, as Restated | 68,930 | 4,879 | 4,267 | 80,260 |
| Fund Balances, End of Year | \$ 67,604 | \$ 4,892 | \$ 3,693 | \$ 80,466 |

CITY OF BANNING

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

| | Special Revenue Funds | | | Capital Projects Funds |
|---|---------------------------------|-------------------------|---------------------------------|-------------------------------------|
| | Wilson Median Improvement | Riverside County MOU | Banning Housing Authority | Police Facilities Development |
| Revenues: | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental | - | 450,000 | - | - |
| Charges for services | - | - | - | - |
| Use of money and property | 962 | 530 | 6,001 | 92 |
| Miscellaneous | - | - | - | 8,899 |
| Total Revenues | 962 | 450,530 | 6,001 | 8,991 |
| Expenditures: | | | | |
| Current: | | | | |
| General government | - | - | 298,962 | - |
| Public safety | - | 524,271 | - | - |
| Community development | - | - | 287,345 | - |
| Parks and recreation | - | - | - | - |
| Public works | - | - | - | - |
| Capital outlay | - | - | - | - |
| Debt service: | | | | |
| Principal retirement | - | - | - | - |
| Interest and fiscal charges | - | - | - | - |
| Total Expenditures | - | 524,271 | 586,307 | - |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 962 | (73,741) | (580,306) | 8,991 |
| Other Financing Sources (Uses): | | | | |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| Total Other Financing Sources (Uses) | - | - | - | - |
| Extraordinary gain/(loss) on dissolution of redevelopment agency (Note 17) | - | - | 5,325,247 | - |
| Net Change in Fund Balances | 962 | (73,741) | 4,744,941 | 8,991 |
| Fund Balances, Beginning of Year | 375,562 | 312,944 | - | 24,898 |
| Restatements | - | - | - | - |
| Fund Balances, Beginning of Year, as Restated | 375,562 | 312,944 | - | 24,898 |
| Fund Balances, End of Year | \$ 376,524 | \$ 239,203 | \$ 4,744,941 | \$ 33,889 |

CITY OF BANNING

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

(Continued)

| | Capital Projects Funds | | | |
|---|--------------------------------|-------------------------------|-----------------------|---------------------|
| | Fire Facilities Development | Traffic Control Facilities | General Facilities | Park Development |
| Revenues: | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental | - | - | - | - |
| Charges for services | - | - | - | - |
| Use of money and property | 2,381 | 1,096 | 1,220 | 361 |
| Miscellaneous | 6,223 | 22,171 | 4,209 | 1,352 |
| Total Revenues | 8,604 | 23,267 | 5,429 | 1,713 |
| Expenditures: | | | | |
| Current: | | | | |
| General government | - | - | - | - |
| Public safety | - | - | - | - |
| Community development | - | - | - | - |
| Parks and recreation | - | - | - | - |
| Public works | - | - | - | - |
| Capital outlay | - | - | - | - |
| Debt service: | | | | |
| Principal retirement | - | - | - | - |
| Interest and fiscal charges | - | - | - | - |
| Total Expenditures | - | - | - | - |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 8,604 | 23,267 | 5,429 | 1,713 |
| Other Financing Sources (Uses): | | | | |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| Total Other Financing Sources (Uses) | - | - | - | - |
| Extraordinary gain/(loss) on dissolution of redevelopment agency (Note 17) | - | - | - | - |
| Net Change in Fund Balances | 8,604 | 23,267 | 5,429 | 1,713 |
| Fund Balances, Beginning of Year | 922,458 | 400,050 | 469,840 | 153,868 |
| Restatements | - | - | - | - |
| Fund Balances, Beginning of Year, as Restated | 922,458 | 400,050 | 469,840 | 153,868 |
| Fund Balances, End of Year | \$ 931,062 | \$ 423,317 | \$ 475,269 | \$ 155,581 |

CITY OF BANNING

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

| | Capital Projects Funds | | | Debt Service Funds |
|---|------------------------|-------------------------|----------------------|----------------------|
| | Capital Improvement | Sunset Grade Separation | Redevelopment Agency | Redevelopment Agency |
| Revenues: | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ 1,945,057 |
| Intergovernmental | - | 547,651 | - | - |
| Charges for services | - | - | - | - |
| Use of money and property | 964 | 535 | 11,871 | 21,788 |
| Miscellaneous | - | - | 3,800 | - |
| Total Revenues | 964 | 548,186 | 15,671 | 1,966,845 |
| Expenditures: | | | | |
| Current: | | | | |
| General government | - | - | 518,989 | 34,219 |
| Public safety | - | - | - | - |
| Community development | - | - | - | - |
| Parks and recreation | - | - | - | - |
| Public works | - | - | - | - |
| Capital outlay | 23,808 | 1,361,501 | 224,879 | - |
| Debt service: | | | | |
| Principal retirement | - | - | - | 947,263 |
| Interest and fiscal charges | - | - | - | 1,791,678 |
| Total Expenditures | 23,808 | 1,361,501 | 743,868 | 2,773,160 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (22,844) | (813,315) | (728,197) | (806,315) |
| Other Financing Sources (Uses): | | | | |
| Transfers in | - | - | 6,206,511 | 280,820 |
| Transfers out | - | - | (763,465) | - |
| Total Other Financing Sources (Uses) | - | - | 5,443,046 | 280,820 |
| Extraordinary gain/(loss) on dissolution of redevelopment agency (Note 17) | - | - | (26,280,706) | (499,903) |
| Net Change in Fund Balances | (22,844) | (813,315) | (21,565,857) | (1,025,398) |
| Fund Balances, Beginning of Year | 683,797 | 41,995 | 14,565,857 | 1,025,398 |
| Restatements | - | - | 7,000,000 | - |
| Fund Balances, Beginning of Year, as Restated | 683,797 | 41,995 | 21,565,857 | 1,025,398 |
| Fund Balances, End of Year | \$ 660,953 | \$ (771,320) | \$ - | \$ - |

CITY OF BANNING

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

| | Total Governmental Funds |
|---|---|
| Revenues: | |
| Taxes | \$ 2,714,619 |
| Intergovernmental | 2,496,415 |
| Charges for services | 160 |
| Use of money and property | 54,554 |
| Miscellaneous | 66,032 |
| Total Revenues | 5,331,780 |
| Expenditures: | |
| Current: | |
| General government | 852,170 |
| Public safety | 559,603 |
| Community development | 287,345 |
| Parks and recreation | 30,612 |
| Public works | 996,132 |
| Capital outlay | 2,874,284 |
| Debt service: | |
| Principal retirement | 947,263 |
| Interest and fiscal charges | 1,791,678 |
| Total Expenditures | 8,339,087 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (3,007,307) |
| Other Financing Sources (Uses): | |
| Transfers in | 7,179,221 |
| Transfers out | (1,604,728) |
| Total Other Financing Sources (Uses) | 5,574,493 |
| Extraordinary gain/(loss) on dissolution of redevelopment agency (Note 17) | (21,455,362) |
| Net Change in Fund Balances | (18,888,176) |
| Fund Balances, Beginning of Year | 21,743,885 |
| Restatements | 7,000,000 |
| Fund Balances, Beginning of Year, as Restated | 28,743,885 |
| Fund Balances, End of Year | \$ 9,855,709 |

CITY OF BANNING

**BUDGETARY COMPARISON SCHEDULE
 GAS TAX STREET
 YEAR ENDED JUNE 30, 2012**

| | Budget Amounts | | Actual | Variance with |
|--|-----------------------|------------------|-------------------|----------------------|
| | Original | Final | Amounts | Final Budget |
| | | | | Positive |
| | | | | (Negative) |
| Budgetary Fund Balance, July 1 | \$ 774,743 | \$ 774,743 | \$ 774,743 | \$ - |
| Resources (Inflows): | | | | |
| Intergovernmental | 774,500 | 803,500 | 1,247,729 | 444,229 |
| Use of money and property | 4,125 | 3,675 | 2,222 | (1,453) |
| Miscellaneous | 1,500 | 2,300 | 2,399 | 99 |
| Transfers in | 327,735 | 164,325 | 164,325 | - |
| Amounts Available for Appropriation | 1,882,603 | 1,748,543 | 2,191,418 | 442,875 |
| Charges to Appropriation (Outflow): | | | | |
| Public works | 901,607 | 950,247 | 867,690 | 82,557 |
| Capital outlay | - | 100,000 | - | 100,000 |
| Transfers out | - | 638,587 | 638,587 | - |
| Total Charges to Appropriations | 901,607 | 1,688,834 | 1,506,277 | 182,557 |
| Budgetary Fund Balance, June 30 | \$ 980,996 | \$ 59,709 | \$ 685,141 | \$ 625,432 |

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE

MEASURE A

YEAR ENDED JUNE 30, 2012

| | Budget Amounts | | Actual | Variance with |
|--|---------------------|-------------------|-------------------|-------------------|
| | Original | Final | Amounts | Final Budget |
| | | | | Positive |
| | | | | (Negative) |
| Budgetary Fund Balance, July 1 | \$ 1,093,416 | \$ 1,093,416 | \$ 1,093,416 | \$ - |
| Resources (Inflows): | | | | |
| Taxes | 379,000 | 379,000 | 434,582 | 55,582 |
| Intergovernmental | - | 130,000 | 99,606 | (30,394) |
| Use of money and property | 8,000 | 8,000 | 1,779 | (6,221) |
| Transfers in | - | 527,565 | 527,565 | - |
| Amounts Available for Appropriation | 1,480,416 | 2,137,981 | 2,156,948 | 18,967 |
| Charges to Appropriation (Outflow): | | | | |
| Capital outlay | 379,000 | 1,856,565 | 1,264,096 | 592,469 |
| Total Charges to Appropriations | 379,000 | 1,856,565 | 1,264,096 | 592,469 |
| Budgetary Fund Balance, June 30 | \$ 1,101,416 | \$ 281,416 | \$ 892,852 | \$ 611,436 |

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
 SB 300 STREET
 YEAR ENDED JUNE 30, 2012

| | Budget Amounts | | Actual | Variance with |
|--|-------------------|-------------------|-------------------|-----------------|
| | Original | Final | Amounts | Final Budget |
| | | | | Positive |
| | | | | (Negative) |
| Budgetary Fund Balance, July 1 | \$ 147,480 | \$ 147,480 | \$ 147,480 | \$ - |
| Resources (Inflows): | | | | |
| Use of money and property | 725 | 725 | 379 | (346) |
| Amounts Available for Appropriation | 148,205 | 148,205 | 147,859 | (346) |
| Budgetary Fund Balance, June 30 | \$ 148,205 | \$ 148,205 | \$ 147,859 | \$ (346) |

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
ARTICLE 3 SIDEWALK
YEAR ENDED JUNE 30, 2012

| | Budget Amounts | | Actual | Variance with |
|--|------------------|------------------|------------------|---------------|
| | Original | Final | Amounts | Final Budget |
| | | | | Positive |
| | | | | (Negative) |
| Budgetary Fund Balance, July 1 | \$ 13,015 | \$ 13,015 | \$ 13,015 | \$ - |
| Resources (Inflows): | | | | |
| Use of money and property | 300 | 300 | 299 | (1) |
| Amounts Available for Appropriation | 13,315 | 13,315 | 13,314 | (1) |
| Budgetary Fund Balance, June 30 | \$ 13,315 | \$ 13,315 | \$ 13,314 | \$ (1) |

CITY OF BANNING

**BUDGETARY COMPARISON SCHEDULE
 COMMUNITY DEVELOPMENT BLOCK GRANT
 YEAR ENDED JUNE 30, 2012**

| | Budget Amounts | | Actual | Variance with |
|--|-----------------------|----------------|-------------------|----------------------|
| | Original | Final | Amounts | Final Budget |
| | | | | Positive |
| | | | | (Negative) |
| Budgetary Fund Balance, July 1 | \$ (5,274) | \$ (5,274) | \$ (5,274) | \$ - |
| Resources (Inflows): | | | | |
| Intergovernmental | - | 292,815 | 14,000 | (278,815) |
| Amounts Available for Appropriation | (5,274) | 287,541 | 8,726 | (278,815) |
| Charges to Appropriation (Outflow): | | | | |
| Parks and recreation | - | 277,540 | 14,000 | 263,540 |
| Capital outlay | - | 10,000 | - | 10,000 |
| Total Charges to Appropriations | - | 287,540 | 14,000 | 273,540 |
| Budgetary Fund Balance, June 30 | \$ (5,274) | \$ 1 | \$ (5,274) | \$ (5,275) |

CITY OF BANNING

**BUDGETARY COMPARISON SCHEDULE
 LANDSCAPE MAINTENANCE DISTRICT
 YEAR ENDED JUNE 30, 2012**

| | Budget Amounts | | Actual | Variance with |
|--|-----------------------|-------------------|-------------------|----------------------|
| | Original | Final | Amounts | Final Budget |
| | | | | Positive |
| | | | | (Negative) |
| Budgetary Fund Balance, July 1 | \$ 211,659 | \$ 211,659 | \$ 211,659 | \$ - |
| Resources (Inflows): | | | | |
| Taxes | 130,760 | 130,760 | 130,263 | (497) |
| Use of money and property | 750 | 750 | 486 | (264) |
| Amounts Available for Appropriation | 343,169 | 343,169 | 342,408 | (761) |
| Charges to Appropriation (Outflow): | | | | |
| Public works | 131,510 | 131,510 | 125,442 | 6,068 |
| Total Charges to Appropriations | 131,510 | 131,510 | 125,442 | 6,068 |
| Budgetary Fund Balance, June 30 | \$ 211,659 | \$ 211,659 | \$ 216,966 | \$ 5,307 |

CITY OF BANNING

**BUDGETARY COMPARISON SCHEDULE
 AQMD AIR POLLUTION PROGRAM
 YEAR ENDED JUNE 30, 2012**

| | Budget Amounts | | Actual | Variance with |
|--|-----------------------|-------------------|-------------------|----------------------|
| | Original | Final | Amounts | Final Budget |
| | | | | Positive |
| | | | | (Negative) |
| Budgetary Fund Balance, July 1 | \$ 137,891 | \$ 137,891 | \$ 137,891 | \$ - |
| Resources (Inflows): | | | | |
| Intergovernmental | 31,000 | 31,000 | 37,429 | 6,429 |
| Use of money and property | 1,000 | 1,000 | 428 | (572) |
| Amounts Available for Appropriation | 169,891 | 169,891 | 175,748 | 5,857 |
| Charges to Appropriation (Outflow): | | | | |
| Public works | - | 3,000 | 3,000 | - |
| Total Charges to Appropriations | - | 3,000 | 3,000 | - |
| Budgetary Fund Balance, June 30 | \$ 169,891 | \$ 166,891 | \$ 172,748 | \$ 5,857 |

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
ASSET FORFEITURE
YEAR ENDED JUNE 30, 2012

| | Budget Amounts | | Actual | Variance with |
|--|-----------------------|-----------------|-----------------|----------------------|
| | Original | Final | Amounts | Final Budget |
| | | | | Positive |
| | | | | (Negative) |
| Budgetary Fund Balance, July 1 | \$ 2,490 | \$ 2,490 | \$ 2,490 | \$ - |
| Resources (Inflows): | | | | |
| Use of money and property | 10 | 10 | 6 | (4) |
| Amounts Available for Appropriation | 2,500 | 2,500 | 2,496 | (4) |
| Budgetary Fund Balance, June 30 | \$ 2,500 | \$ 2,500 | \$ 2,496 | \$ (4) |

CITY OF BANNING

**BUDGETARY COMPARISON SCHEDULE
 SUPPLEMENTAL LAW ENFORCEMENT
 YEAR ENDED JUNE 30, 2012**

| | Budget Amounts | | Actual | Variance with |
|--|-----------------------|----------------|-------------------|----------------------|
| | Original | Final | Amounts | Final Budget |
| | | | | Positive |
| | | | | (Negative) |
| Budgetary Fund Balance, July 1 | \$ 187,199 | \$ 187,199 | \$ 187,199 | \$ - |
| Resources (Inflows): | | | | |
| Intergovernmental | - | 100,000 | 100,000 | - |
| Use of money and property | - | 1,000 | 703 | (297) |
| Amounts Available for Appropriation | 187,199 | 288,199 | 287,902 | (297) |
| Charges to Appropriation (Outflow): | | | | |
| Public safety | - | 69,989 | 34,752 | 35,237 |
| Capital outlay | - | 218,210 | - | 218,210 |
| Total Charges to Appropriations | - | 288,199 | 34,752 | 253,447 |
| Budgetary Fund Balance, June 30 | \$ 187,199 | \$ - | \$ 253,150 | \$ 253,150 |

CITY OF BANNING

**BUDGETARY COMPARISON SCHEDULE
 PUBLIC SAFETY SALES TAX
 YEAR ENDED JUNE 30, 2012**

| | Budget Amounts | | Actual | Variance with |
|--|-----------------------|------------------|------------------|----------------------|
| | Original | Final | Amounts | Final Budget |
| | | | | Positive |
| | | | | (Negative) |
| Budgetary Fund Balance, July 1 | \$ 22,537 | \$ 22,537 | \$ 22,537 | \$ - |
| Resources (Inflows): | | | | |
| Taxes | 202,676 | 202,676 | 204,717 | 2,041 |
| Use of money and property | - | - | 51 | 51 |
| Amounts Available for Appropriation | 225,213 | 225,213 | 227,305 | 2,092 |
| Charges to Appropriation (Outflow): | | | | |
| Transfers out | 202,676 | 202,676 | 202,676 | - |
| Total Charges to Appropriations | 202,676 | 202,676 | 202,676 | - |
| Budgetary Fund Balance, June 30 | \$ 22,537 | \$ 22,537 | \$ 24,629 | \$ 2,092 |

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
SPECIAL DONATIONS
YEAR ENDED JUNE 30, 2012

| | Budget Amounts | | Actual | Variance with |
|--|-----------------------|------------------|------------------|----------------------|
| | Original | Final | Amounts | Final Budget |
| | | | | Positive |
| | | | | (Negative) |
| Budgetary Fund Balance, July 1 | \$ 22,796 | \$ 22,796 | \$ 22,796 | \$ - |
| Resources (Inflows): | | | | |
| Miscellaneous | 1,500 | 9,350 | 10,450 | 1,100 |
| Amounts Available for Appropriation | 24,296 | 32,146 | 33,246 | 1,100 |
| Charges to Appropriation (Outflow): | | | | |
| Parks and recreation | 1,500 | 5,210 | 8,425 | (3,215) |
| Total Charges to Appropriations | 1,500 | 5,210 | 8,425 | (3,215) |
| Budgetary Fund Balance, June 30 | \$ 22,796 | \$ 26,936 | \$ 24,821 | \$ (2,115) |

CITY OF BANNING

**BUDGETARY COMPARISON SCHEDULE
 SENIOR CENTER ACTIVITIES
 YEAR ENDED JUNE 30, 2012**

| | Budget Amounts | | Actual | Variance with |
|--|-----------------------|------------------|------------------|----------------------|
| | Original | Final | Amounts | Final Budget |
| | | | | Positive |
| | | | | (Negative) |
| Budgetary Fund Balance, July 1 | \$ 68,930 | \$ 68,930 | \$ 68,930 | \$ - |
| Resources (Inflows): | | | | |
| Charges for services | 200 | 200 | 160 | (40) |
| Use of money and property | 500 | 500 | 172 | (328) |
| Miscellaneous | 6,000 | 6,000 | 6,529 | 529 |
| Amounts Available for Appropriation | 75,630 | 75,630 | 75,791 | 161 |
| Charges to Appropriation (Outflow): | | | | |
| Parks and recreation | 16,700 | 17,200 | 8,187 | 9,013 |
| Total Charges to Appropriations | 16,700 | 17,200 | 8,187 | 9,013 |
| Budgetary Fund Balance, June 30 | \$ 58,930 | \$ 58,430 | \$ 67,604 | \$ 9,174 |

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
ANIMAL CONTROL RESERVE
YEAR ENDED JUNE 30, 2012

| | Budget Amounts | | Actual | Variance with |
|--|-----------------------|-----------------|-----------------|----------------------|
| | Original | Final | Amounts | Final Budget |
| | | | | Positive |
| | | | | (Negative) |
| Budgetary Fund Balance, July 1 | \$ 4,879 | \$ 4,879 | \$ 4,879 | \$ - |
| Resources (Inflows): | | | | |
| Use of money and property | 30 | 30 | 13 | (17) |
| Amounts Available for Appropriation | 4,909 | 4,909 | 4,892 | (17) |
| Budgetary Fund Balance, June 30 | \$ 4,909 | \$ 4,909 | \$ 4,892 | \$ (17) |

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
POLICE VOLUNTEER
YEAR ENDED JUNE 30, 2012

| | Budget Amounts | | Actual | Variance with |
|--|-----------------------|-----------------|-----------------|----------------------|
| | Original | Final | Amounts | Final Budget |
| | | | | Positive |
| | | | | (Negative) |
| Budgetary Fund Balance, July 1 | \$ 4,267 | \$ 4,267 | \$ 4,267 | \$ - |
| Resources (Inflows): | | | | |
| Use of money and property | 30 | 30 | 6 | (24) |
| Amounts Available for Appropriation | 4,297 | 4,297 | 4,273 | (24) |
| Charges to Appropriation (Outflow): | | | | |
| Public safety | 1,080 | 1,080 | 580 | 500 |
| Total Charges to Appropriations | 1,080 | 1,080 | 580 | 500 |
| Budgetary Fund Balance, June 30 | \$ 3,217 | \$ 3,217 | \$ 3,693 | \$ 476 |

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
RAMSEY/HIGHLAND HOME SIGNAL
YEAR ENDED JUNE 30, 2012

| | Budget Amounts | | Actual | Variance with |
|--|-----------------------|------------------|------------------|----------------------|
| | Original | Final | Amounts | Final Budget |
| | | | | Positive |
| | | | | (Negative) |
| Budgetary Fund Balance, July 1 | \$ 80,260 | \$ 80,260 | \$ 80,260 | \$ - |
| Resources (Inflows): | | | | |
| Use of money and property | 400 | 400 | 206 | (194) |
| Amounts Available for Appropriation | 80,660 | 80,660 | 80,466 | (194) |
| Budgetary Fund Balance, June 30 | \$ 80,660 | \$ 80,660 | \$ 80,466 | \$ (194) |

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
WILSON MEDIAN IMPROVEMENT
YEAR ENDED JUNE 30, 2012

| | Budget Amounts | | Actual | Variance with |
|--|-----------------------|-------------------|-------------------|----------------------|
| | Original | Final | Amounts | Final Budget |
| | | | | Positive |
| | | | | (Negative) |
| Budgetary Fund Balance, July 1 | \$ 375,562 | \$ 375,562 | \$ 375,562 | \$ - |
| Resources (Inflows): | | | | |
| Use of money and property | 1,850 | 1,850 | 962 | (888) |
| Amounts Available for Appropriation | 377,412 | 377,412 | 376,524 | (888) |
| Budgetary Fund Balance, June 30 | \$ 377,412 | \$ 377,412 | \$ 376,524 | \$ (888) |

CITY OF BANNING

**BUDGETARY COMPARISON SCHEDULE
 RIVERSIDE COUNTY MOU
 YEAR ENDED JUNE 30, 2012**

| | Budget Amounts | | Actual | Variance with |
|--|-----------------------|-------------------|-------------------|----------------------|
| | Original | Final | Amounts | Final Budget |
| | | | | Positive |
| | | | | (Negative) |
| Budgetary Fund Balance, July 1 | \$ 312,944 | \$ 312,944 | \$ 312,944 | \$ - |
| Resources (Inflows): | | | | |
| Intergovernmental | 450,000 | 450,000 | 450,000 | - |
| Use of money and property | 1,000 | 1,000 | 530 | (470) |
| Amounts Available for Appropriation | 763,944 | 763,944 | 763,474 | (470) |
| Charges to Appropriation (Outflow): | | | | |
| Public safety | 536,822 | 536,822 | 524,271 | 12,551 |
| Total Charges to Appropriations | 536,822 | 536,822 | 524,271 | 12,551 |
| Budgetary Fund Balance, June 30 | \$ 227,122 | \$ 227,122 | \$ 239,203 | \$ 12,081 |

CITY OF BANNING

**BUDGETARY COMPARISON SCHEDULE
 BANNING HOUSING AUTHORITY
 YEAR ENDED JUNE 30, 2012**

| | Budget Amounts | | Actual | Variance with |
|--|-----------------------|---------------------|---------------------|----------------------|
| | Original | Final | Amounts | Final Budget |
| | | | | Positive |
| | | | | (Negative) |
| Budgetary Fund Balance, July 1 | \$ - | \$ - | \$ - | \$ - |
| Resources (Inflows): | | | | |
| Use of money and property | 35,000 | 23,000 | 6,001 | (16,999) |
| Transfers in | 880,547 | 786,733 | - | (786,733) |
| Extraordinary gain on dissolution of redevelopment agency | - | - | 5,325,247 | 5,325,247 |
| Amounts Available for Appropriation | 915,547 | 809,733 | 5,331,248 | 4,521,515 |
| Charges to Appropriation (Outflow): | | | | |
| General government | 921,745 | 664,652 | 298,962 | 365,690 |
| Community development | - | 407,969 | 287,345 | 120,624 |
| Transfers out | 192,380 | 587,925 | - | 587,925 |
| Total Charges to Appropriations | 1,114,125 | 1,660,546 | 586,307 | 1,074,239 |
| Budgetary Fund Balance, June 30 | \$ (198,578) | \$ (850,813) | \$ 4,744,941 | \$ 5,595,754 |

CITY OF BANNING

**BUDGETARY COMPARISON SCHEDULE
 POLICE FACILITIES DEVELOPMENT
 YEAR ENDED JUNE 30, 2012**

| | Budget Amounts | | Actual | Variance with |
|--|-----------------------|------------------|------------------|----------------------|
| | Original | Final | Amounts | Final Budget |
| | | | | Positive |
| | | | | (Negative) |
| Budgetary Fund Balance, July 1 | \$ 24,898 | \$ 24,898 | \$ 24,898 | \$ - |
| Resources (Inflows): | | | | |
| Use of money and property | 150 | 150 | 92 | (58) |
| Miscellaneous | 1,500 | 1,500 | 8,899 | 7,399 |
| Amounts Available for Appropriation | 26,548 | 26,548 | 33,889 | 7,341 |
| Budgetary Fund Balance, June 30 | \$ 26,548 | \$ 26,548 | \$ 33,889 | \$ 7,341 |

CITY OF BANNING

**BUDGETARY COMPARISON SCHEDULE
 FIRE FACILITIES DEVELOPMENT
 YEAR ENDED JUNE 30, 2012**

| | Budget Amounts | | Actual | Variance with |
|--|-----------------------|-------------------|-------------------|----------------------|
| | Original | Final | Amounts | Final Budget |
| | | | | Positive |
| | | | | (Negative) |
| Budgetary Fund Balance, July 1 | \$ 922,458 | \$ 922,458 | \$ 922,458 | \$ - |
| Resources (Inflows): | | | | |
| Use of money and property | 4,500 | 3,000 | 2,381 | (619) |
| Miscellaneous | 5,000 | 5,000 | 6,223 | 1,223 |
| Amounts Available for Appropriation | 931,958 | 930,458 | 931,062 | 604 |
| Budgetary Fund Balance, June 30 | \$ 931,958 | \$ 930,458 | \$ 931,062 | \$ 604 |

CITY OF BANNING

**BUDGETARY COMPARISON SCHEDULE
 TRAFFIC CONTROL FACILITIES
 YEAR ENDED JUNE 30, 2012**

| | Budget Amounts | | Actual | Variance with |
|--|-----------------------|-------------------|-------------------|----------------------|
| | Original | Final | Amounts | Final Budget |
| | | | | Positive |
| | | | | (Negative) |
| Budgetary Fund Balance, July 1 | \$ 400,050 | \$ 400,050 | \$ 400,050 | \$ - |
| Resources (Inflows): | | | | |
| Use of money and property | 2,000 | 2,000 | 1,096 | (904) |
| Miscellaneous | 500 | 500 | 22,171 | 21,671 |
| Amounts Available for Appropriation | 402,550 | 402,550 | 423,317 | 20,767 |
| Charges to Appropriation (Outflow): | | | | |
| Public works | 10,000 | 10,000 | - | 10,000 |
| Capital outlay | 10,000 | 10,000 | - | 10,000 |
| Total Charges to Appropriations | 20,000 | 20,000 | - | 20,000 |
| Budgetary Fund Balance, June 30 | \$ 382,550 | \$ 382,550 | \$ 423,317 | \$ 40,767 |

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
GENERAL FACILITIES
YEAR ENDED JUNE 30, 2012

| | Budget Amounts | | Actual | Variance with |
|--|-----------------------|-------------------|-------------------|----------------------|
| | Original | Final | Amounts | Final Budget |
| | | | | Positive |
| | | | | (Negative) |
| Budgetary Fund Balance, July 1 | \$ 469,840 | \$ 469,840 | \$ 469,840 | \$ - |
| Resources (Inflows): | | | | |
| Use of money and property | 2,500 | 2,500 | 1,220 | (1,280) |
| Miscellaneous | 2,000 | 2,000 | 4,209 | 2,209 |
| Amounts Available for Appropriation | 474,340 | 474,340 | 475,269 | 929 |
| Budgetary Fund Balance, June 30 | \$ 474,340 | \$ 474,340 | \$ 475,269 | \$ 929 |

CITY OF BANNING

**BUDGETARY COMPARISON SCHEDULE
 PARK DEVELOPMENT
 YEAR ENDED JUNE 30, 2012**

| | Budget Amounts | | Actual | Variance with |
|--|-----------------------|------------------|-------------------|----------------------|
| | Original | Final | Amounts | Final Budget |
| | | | | Positive |
| | | | | (Negative) |
| Budgetary Fund Balance, July 1 | \$ 153,868 | \$ 153,868 | \$ 153,868 | \$ - |
| Resources (Inflows): | | | | |
| Use of money and property | 1,900 | 1,900 | 361 | (1,539) |
| Miscellaneous | - | - | 1,352 | 1,352 |
| Amounts Available for Appropriation | 155,768 | 155,768 | 155,581 | (187) |
| Charges to Appropriation (Outflow): | | | | |
| Capital outlay | - | 132,046 | - | 132,046 |
| Total Charges to Appropriations | - | 132,046 | - | 132,046 |
| Budgetary Fund Balance, June 30 | \$ 155,768 | \$ 23,722 | \$ 155,581 | \$ 131,859 |

CITY OF BANNING

**BUDGETARY COMPARISON SCHEDULE
 CAPITAL IMPROVEMENT
 YEAR ENDED JUNE 30, 2012**

| | Budget Amounts | | Actual | Variance with |
|--|-----------------------|-------------------|-------------------|----------------------|
| | Original | Final | Amounts | Final Budget |
| | | | | Positive |
| | | | | (Negative) |
| Budgetary Fund Balance, July 1 | \$ 683,797 | \$ 683,797 | \$ 683,797 | \$ - |
| Resources (Inflows): | | | | |
| Use of money and property | 10,000 | 2,500 | 964 | (1,536) |
| Amounts Available for Appropriation | 693,797 | 686,297 | 684,761 | (1,536) |
| Charges to Appropriation (Outflow): | | | | |
| Capital outlay | - | 29,500 | 23,808 | 5,692 |
| Total Charges to Appropriations | - | 29,500 | 23,808 | 5,692 |
| Budgetary Fund Balance, June 30 | \$ 693,797 | \$ 656,797 | \$ 660,953 | \$ 4,156 |

CITY OF BANNING

**BUDGETARY COMPARISON SCHEDULE
 SUNSET GRADE SEPARATION
 YEAR ENDED JUNE 30, 2012**

| | Budget Amounts | | Actual | Variance with |
|--|-----------------------|------------------|---------------------|----------------------|
| | Original | Final | Amounts | Final Budget |
| | | | | Positive |
| | | | | (Negative) |
| Budgetary Fund Balance, July 1 | \$ 41,995 | \$ 41,995 | \$ 41,995 | \$ - |
| Resources (Inflows): | | | | |
| Intergovernmental | 1,100,000 | 3,168,647 | 547,651 | (2,620,996) |
| Use of money and property | - | 1,000 | 535 | (465) |
| Amounts Available for Appropriation | 1,141,995 | 3,211,642 | 590,181 | (2,621,461) |
| Charges to Appropriation (Outflow): | | | | |
| Capital outlay | 1,100,000 | 3,209,636 | 1,361,501 | 1,848,135 |
| Total Charges to Appropriations | 1,100,000 | 3,209,636 | 1,361,501 | 1,848,135 |
| Budgetary Fund Balance, June 30 | \$ 41,995 | \$ 2,006 | \$ (771,320) | \$ (773,326) |

CITY OF BANNING

**BUDGETARY COMPARISON SCHEDULE
 REDEVELOPMENT AGENCY - CAPITAL PROJECTS
 YEAR ENDED JUNE 30, 2012**

| | Budget Amounts | | Actual | Variance with |
|--|-----------------------|----------------------|-------------------|------------------------|
| | Original | Final | Amounts | Final Budget |
| | | | | Positive |
| | | | | (Negative) |
| Budgetary Fund Balance, July 1, as restated | \$ 21,565,857 | \$ 21,565,857 | \$ 21,565,857 | \$ - |
| Resources (Inflows): | | | | |
| Use of money and property | 75,500 | 75,500 | 11,871 | (63,629) |
| Miscellaneous | 9,000 | 9,000 | 3,800 | (5,200) |
| Transfers in | 780,000 | 6,986,511 | 6,206,511 | (780,000) |
| Amounts Available for Appropriation | 22,430,357 | 28,636,868 | 27,788,039 | (848,829) |
| Charges to Appropriation (Outflow): | | | | |
| General government | 1,245,644 | 975,238 | 518,989 | 456,249 |
| Capital outlay | 122,500 | 160,592 | 224,879 | (64,287) |
| Transfers out | 820,021 | 682,893 | 763,465 | (80,572) |
| Extraordinary loss on dissolution of redevelopment agency | - | - | 26,280,706 | (26,280,706) |
| Total Charges to Appropriations | 2,188,165 | 1,818,723 | 27,788,039 | (25,969,316) |
| Budgetary Fund Balance, June 30 | \$ 20,242,192 | \$ 26,818,145 | \$ - | \$ (26,818,145) |

CITY OF BANNING

**BUDGETARY COMPARISON SCHEDULE
 REDEVELOPMENT AGENCY - DEBT SERVICE
 YEAR ENDED JUNE 30, 2012**

| | Budget Amounts | | Actual | Variance with |
|--|-----------------------|---------------------|------------------|----------------------|
| | Original | Final | Amounts | Final Budget |
| | | | | Positive |
| | | | | (Negative) |
| Budgetary Fund Balance, July 1 | \$ 1,025,398 | \$ 1,025,398 | \$ 1,025,398 | \$ - |
| Resources (Inflows): | | | | |
| Taxes | 4,402,734 | 2,201,368 | 1,945,057 | (256,311) |
| Use of money and property | 54,250 | 54,250 | 21,788 | (32,462) |
| Transfers in | 192,380 | 222,758 | 280,820 | 58,062 |
| Amounts Available for Appropriation | 5,674,762 | 3,503,774 | 3,273,063 | (230,711) |
| Charges to Appropriation (Outflow): | | | | |
| General government | 46,578 | 46,578 | 34,219 | 12,359 |
| Debt service: | | | | |
| Principal retirement | 1,046,107 | 1,046,107 | 947,263 | 98,844 |
| Interest and fiscal charges | 1,829,280 | 1,829,280 | 1,791,678 | 37,602 |
| Transfers out | 880,548 | 880,548 | - | 880,548 |
| Extraordinary loss on dissolution of redevelopment agency | 847,509 | 423,755 | 499,903 | (76,148) |
| Total Charges to Appropriations | 4,650,022 | 4,226,268 | 3,273,063 | 953,205 |
| Budgetary Fund Balance, June 30 | \$ 1,024,740 | \$ (722,494) | \$ - | \$ 722,494 |

CITY OF BANNING

COMBINING STATEMENT OF NET ASSETS
NON-MAJOR PROPRIETARY FUNDS
JUNE 30, 2012

| | Business-Type Activities - Enterprise Funds | | | |
|--|--|---------------------|-----------------------|---------------------|
| | Airport | Transit | Refuse Utility | Totals |
| Assets: | | | | |
| Current: | | | | |
| Pooled cash and investments | \$ 80,991 | \$ 81,937 | \$ 248,413 | \$ 411,341 |
| Receivables: | | | | |
| Accounts | 555 | 850 | 424,046 | 425,451 |
| Interest | 84 | 108 | 200 | 392 |
| Due from other governments | 150,560 | 196,926 | - | 347,486 |
| Inventories | 21,969 | - | - | 21,969 |
| Total Current Assets | 254,159 | 279,821 | 672,659 | 1,206,639 |
| Noncurrent: | | | | |
| Capital assets - net of accumulated depreciation | 2,900,069 | 957,962 | 1,312 | 3,859,343 |
| Total Noncurrent Assets | 2,900,069 | 957,962 | 1,312 | 3,859,343 |
| Total Assets | \$ 3,154,228 | \$ 1,237,783 | \$ 673,971 | \$ 5,065,982 |
| Liabilities and Net Assets: | | | | |
| Liabilities: | | | | |
| Current: | | | | |
| Accounts payable | \$ 19,178 | \$ 2,728 | \$ 238,924 | \$ 260,830 |
| Accrued liabilities | 1,271 | 15,009 | 3,460 | 19,740 |
| Unearned revenues | - | 177,038 | - | 177,038 |
| Deposits payable | 26,998 | - | 87,050 | 114,048 |
| Compensated absences | 268 | 9,027 | 4,563 | 13,858 |
| Total Current Liabilities | 47,715 | 203,802 | 333,997 | 585,514 |
| Noncurrent: | | | | |
| Compensated absences | 5,536 | 76,807 | 42,151 | 124,494 |
| Total Noncurrent Liabilities | 5,536 | 76,807 | 42,151 | 124,494 |
| Total Liabilities | 53,251 | 280,609 | 376,148 | 710,008 |
| Net Assets: | | | | |
| Invested in capital assets, net of related debt | 2,900,069 | 957,962 | 1,312 | 3,859,343 |
| Unrestricted | 200,908 | (788) | 296,511 | 496,631 |
| Total Net Assets | 3,100,977 | 957,174 | 297,823 | 4,355,974 |
| Total Liabilities and Net Assets | \$ 3,154,228 | \$ 1,237,783 | \$ 673,971 | \$ 5,065,982 |

CITY OF BANNING

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
NON-MAJOR PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2012

| | Business-Type Activities - Enterprise Funds | | | |
|---|---|-------------------|-------------------|---------------------|
| | Airport | Transit | Refuse Utility | Totals |
| Operating Revenues: | | | | |
| Sales and service charges | \$ 238,187 | \$ 132,349 | \$ 2,983,206 | \$ 3,353,742 |
| Bad debt recovery | - | - | 3,290 | 3,290 |
| Total Operating Revenues | 238,187 | 132,349 | 2,986,496 | 3,357,032 |
| Operating Expenses: | | | | |
| Salaries and benefits | 53,964 | 761,678 | 119,444 | 935,086 |
| Supplies and services | 206,830 | 395,004 | 2,929,404 | 3,531,238 |
| Repairs and maintenance | 13,636 | - | - | 13,636 |
| Depreciation expense | 155,918 | 234,931 | 3,935 | 394,784 |
| Total Operating Expenses | 430,348 | 1,391,613 | 3,052,783 | 4,874,744 |
| Operating Income (Loss) | (192,161) | (1,259,264) | (66,287) | (1,517,712) |
| Nonoperating Revenues (Expenses): | | | | |
| Intergovernmental | 287,272 | 1,234,453 | 37,596 | 1,559,321 |
| Interest revenue | 242 | (158) | 539 | 623 |
| Miscellaneous | 21 | - | 14,310 | 14,331 |
| Gain (loss) on disposal of capital assets | - | 9 | - | 9 |
| Total Nonoperating Revenues (Expenses) | 287,535 | 1,234,304 | 52,445 | 1,574,284 |
| Income (Loss) Before Transfers | 95,374 | (24,960) | (13,842) | 56,572 |
| Transfers out | - | - | (55,000) | (55,000) |
| Changes in Net Assets | 95,374 | (24,960) | (68,842) | 1,572 |
| Net Assets: | | | | |
| Beginning of Year | 3,005,603 | 982,134 | 366,665 | 4,354,402 |
| End of Fiscal Year | \$ 3,100,977 | \$ 957,174 | \$ 297,823 | \$ 4,355,974 |

CITY OF BANNING

COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2012

| | Business-Type Activities - Enterprise Funds | | | |
|---|--|-----------------------|-----------------------|-----------------------|
| | Airport | Transit | Refuse Utility | Totals |
| Cash Flows from Operating Activities: | | | | |
| Cash received from customers and users | \$ 237,831 | \$ 132,179 | \$ 2,983,047 | \$ 3,353,057 |
| Cash paid to suppliers for goods and services | (381,265) | (741,825) | (2,919,691) | (4,042,781) |
| Cash paid to employees for services | (46,939) | (666,073) | (96,056) | (809,068) |
| Net Cash Provided (Used) by Operating Activities | (190,373) | (1,275,719) | (32,700) | (1,498,792) |
| Cash Flows from Non-Capital Financing Activities: | | | | |
| Cash transfers out | - | - | (55,000) | (55,000) |
| Intergovernmental | 287,272 | 1,313,879 | 37,596 | 1,638,747 |
| Miscellaneous | 21 | - | 14,310 | 14,331 |
| Net Cash Provided (Used) by Non-Capital Financing Activities | 287,293 | 1,313,879 | (3,094) | 1,598,078 |
| Cash Flows from Capital and Related Financing Activities: | | | | |
| Acquisition and construction of capital assets | (176,180) | (209,964) | - | (386,144) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | (176,180) | (209,964) | - | (386,144) |
| Cash Flows from Investing Activities: | | | | |
| Interest received | 456 | 235 | 812 | 1,503 |
| Net Cash Provided (Used) by Investing Activities | 456 | 235 | 812 | 1,503 |
| Net Increase (Decrease) in Cash and Cash Equivalents | (78,804) | (171,569) | (34,982) | (285,355) |
| Cash and Cash Equivalents at Beginning of Year | 159,795 | 253,506 | 283,395 | 696,696 |
| Cash and Cash Equivalents at End of Year | \$ 80,991 | \$ 81,937 | \$ 248,413 | \$ 411,341 |
| Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities: | | | | |
| Operating income (loss) | \$ (192,161) | \$ (1,259,264) | \$ (66,287) | \$ (1,517,712) |
| Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities: | | | | |
| Depreciation | 155,918 | 234,931 | 3,935 | 394,784 |
| (Increase) decrease in accounts receivable | (356) | (170) | (3,449) | (3,975) |
| (Increase) decrease in loans receivable | - | 963 | - | 963 |
| (Increase) decrease in inventories | (6,115) | - | - | (6,115) |
| (Increase) decrease in due from other governments | 61,424 | (164,516) | 7,809 | (95,283) |
| Increase (decrease) in accounts payable | (1,470) | (36,919) | (2,693) | (41,082) |
| Increase (decrease) in accrued liabilities | (208,110) | (44,334) | 18,483 | (233,961) |
| Increase (decrease) in deposits payable | (214) | - | 3,540 | 3,326 |
| Increase (decrease) in compensated absences | 711 | (6,410) | 5,962 | 263 |
| Total Adjustments | 1,788 | (16,455) | 33,587 | 18,920 |
| Net Cash Provided (Used) by Operating Activities | \$ (190,373) | \$ (1,275,719) | \$ (32,700) | \$ (1,498,792) |

CITY OF BANNING

COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2012

| | <u>Self Insurance</u> | <u>Fleet Maintenance</u> | <u>Information Services</u> |
|--|-----------------------|------------------------------|---------------------------------|
| Assets: | | | |
| Current: | | | |
| Pooled cash and investments | \$ 2,468,250 | \$ 656,557 | \$ 175,137 |
| Receivables: | | | |
| Accounts | - | 30,030 | - |
| Loans | - | - | 5,011 |
| Interest | 486 | 549 | 149 |
| Due from other governments | 458 | 987 | - |
| Inventories | - | 60,715 | - |
| Total Current Assets | 2,469,194 | 748,838 | 180,297 |
| Noncurrent: | | | |
| Capital assets - net of accumulated depreciation | - | 329,022 | 151,375 |
| Total Noncurrent Assets | - | 329,022 | 151,375 |
| Total Assets | \$ 2,469,194 | \$ 1,077,860 | \$ 331,672 |
| Liabilities and Net Assets: | | | |
| Liabilities: | | | |
| Current: | | | |
| Accounts payable | \$ 1,117 | \$ 81,202 | \$ 13,595 |
| Accrued liabilities | 5,554 | 6,746 | 6,449 |
| Deposits payable | 928 | - | - |
| Compensated absences | 11,662 | 27,677 | 16,459 |
| Claims and judgment | 563,557 | - | - |
| Total Current Liabilities | 582,818 | 115,625 | 36,503 |
| Noncurrent: | | | |
| Compensated absences | 16,401 | 31,287 | 16,220 |
| Claims and judgments | 353,863 | - | - |
| Total Noncurrent Liabilities | 370,264 | 31,287 | 16,220 |
| Total Liabilities | 953,082 | 146,912 | 52,723 |
| Net Assets: | | | |
| Invested in capital assets, net of related debt | - | 329,022 | 151,375 |
| Unrestricted | 1,516,112 | 601,926 | 127,574 |
| Total Net Assets | 1,516,112 | 930,948 | 278,949 |
| Total Liabilities and Net Assets | \$ 2,469,194 | \$ 1,077,860 | \$ 331,672 |

CITY OF BANNING

COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2012

| | Utility Billing Accounting & Collection | Totals |
|--|--|---------------------|
| Assets: | | |
| Current: | | |
| Pooled cash and investments | \$ 272,263 | \$ 3,572,207 |
| Receivables: | | |
| Accounts | 13,240 | 43,270 |
| Loans | 852 | 5,863 |
| Interest | 260 | 1,444 |
| Due from other governments | - | 1,445 |
| Inventories | - | 60,715 |
| Total Current Assets | 286,615 | 3,684,944 |
| Noncurrent: | | |
| Capital assets - net of accumulated depreciation | 28,939 | 509,336 |
| Total Noncurrent Assets | 28,939 | 509,336 |
| Total Assets | \$ 315,554 | \$ 4,194,280 |
| Liabilities and Net Assets: | | |
| Liabilities: | | |
| Current: | | |
| Accounts payable | \$ 22,947 | \$ 118,861 |
| Accrued liabilities | 21,898 | 40,647 |
| Deposits payable | - | 928 |
| Compensated absences | 39,753 | 95,551 |
| Claims and judgment | - | 563,557 |
| Total Current Liabilities | 84,598 | 819,544 |
| Noncurrent: | | |
| Compensated absences | 28,506 | 92,414 |
| Claims and judgments | - | 353,863 |
| Total Noncurrent Liabilities | 28,506 | 446,277 |
| Total Liabilities | 113,104 | 1,265,821 |
| Net Assets: | | |
| Invested in capital assets, net of related debt | 28,939 | 509,336 |
| Unrestricted | 173,511 | 2,419,123 |
| Total Net Assets | 202,450 | 2,928,459 |
| Total Liabilities and Net Assets | \$ 315,554 | \$ 4,194,280 |

CITY OF BANNING

**COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2012**

| | <u>Self Insurance</u> | <u>Fleet Maintenance</u> | <u>Information Services</u> |
|---|-----------------------|------------------------------|---------------------------------|
| Operating Revenues: | | | |
| Sales and service charges | \$ 1,729,706 | \$ 1,201,249 | \$ 386,137 |
| Total Operating Revenues | 1,729,706 | 1,201,249 | 386,137 |
| Operating Expenses: | | | |
| Salaries and benefits | 210,964 | 345,822 | 265,976 |
| Supplies and services | 2,497,875 | 720,487 | 30,427 |
| Repairs and maintenance | 1,672 | 90,317 | 67,515 |
| Insurance premiums | 979,003 | - | - |
| Depreciation expense | - | 9,120 | 35,908 |
| Total Operating Expenses | 3,689,514 | 1,165,746 | 399,826 |
| Operating Income (Loss) | (1,959,808) | 35,503 | (13,689) |
| Nonoperating Revenues (Expenses): | | | |
| Interest revenue | 32,437 | 1,613 | 246 |
| Miscellaneous | 363,098 | 53,436 | 308 |
| Total Nonoperating Revenues (Expenses) | 395,535 | 55,049 | 554 |
| Income (Loss) Before Transfers | (1,564,273) | 90,552 | (13,135) |
| Transfers in | 1,810,780 | - | - |
| Changes in Net Assets | 246,507 | 90,552 | (13,135) |
| Net Assets: | | | |
| Beginning of Year | 1,269,605 | 840,396 | 292,084 |
| End of Fiscal Year | \$ 1,516,112 | \$ 930,948 | \$ 278,949 |

CITY OF BANNING

**COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2012**

| | Utility Billing Accounting & Collection | Totals |
|---|--|---------------------|
| Operating Revenues: | | |
| Sales and service charges | \$ 1,481,430 | \$ 4,798,522 |
| Total Operating Revenues | 1,481,430 | 4,798,522 |
| Operating Expenses: | | |
| Salaries and benefits | 921,467 | 1,744,229 |
| Supplies and services | 505,301 | 3,754,090 |
| Repairs and maintenance | 30,627 | 190,131 |
| Insurance premiums | - | 979,003 |
| Depreciation expense | 16,493 | 61,521 |
| Total Operating Expenses | 1,473,888 | 6,728,974 |
| Operating Income (Loss) | 7,542 | (1,930,452) |
| Nonoperating Revenues (Expenses): | | |
| Interest revenue | 666 | 34,962 |
| Miscellaneous | - | 416,842 |
| Total Nonoperating Revenues (Expenses) | 666 | 451,804 |
| Income (Loss) Before Transfers | 8,208 | (1,478,648) |
| Transfers in | - | 1,810,780 |
| Changes in Net Assets | 8,208 | 332,132 |
| Net Assets: | | |
| Beginning of Year | 194,242 | 2,596,327 |
| End of Fiscal Year | \$ 202,450 | \$ 2,928,459 |

CITY OF BANNING

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2012

| | Self Insurance | Fleet Maintenance | Information Services |
|---|-----------------------|--------------------------|-----------------------------|
| Cash Flows from Operating Activities: | | | |
| Cash received from customers and users | \$ 1,729,706 | \$ 1,205,814 | \$ 386,137 |
| Cash paid to suppliers for goods and services | (3,531,395) | (838,966) | (159,033) |
| Cash paid to employees for services | (187,490) | (285,482) | (224,183) |
| Net Cash Provided (Used) by Operating Activities | (1,989,179) | 81,366 | 2,921 |
| Cash Flows from Non-Capital Financing Activities: | | | |
| Cash transfers in | 1,810,780 | - | - |
| Miscellaneous | 363,098 | 53,436 | 308 |
| Net Cash Provided (Used) by Non-Capital Financing Activities | 2,173,878 | 53,436 | 308 |
| Cash Flows from Capital and Related Financing Activities: | | | |
| Acquisition and construction of capital assets | - | (16,254) | (120,199) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | - | (16,254) | (120,199) |
| Cash Flows from Investing Activities: | | | |
| Interest received | 32,437 | 1,991 | 596 |
| Net Cash Provided (Used) by Investing Activities | 32,437 | 1,991 | 596 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 217,136 | 120,539 | (116,374) |
| Cash and Cash Equivalents at Beginning of Year | 2,251,114 | 536,018 | 291,511 |
| Cash and Cash Equivalents at End of Year | \$ 2,468,250 | \$ 656,557 | \$ 175,137 |
| Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities: | | | |
| Operating income (loss) | \$ (1,959,808) | \$ 35,503 | \$ (13,689) |
| Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities: | | | |
| Depreciation | - | 9,120 | 35,908 |
| (Increase) decrease in accounts receivable | - | 4,565 | - |
| (Increase) decrease in loans receivable | - | - | (1,571) |
| (Increase) decrease in inventories | - | 3,021 | - |
| (Increase) decrease in due from other governments | (458) | (987) | - |
| Increase (decrease) in accounts payable | (10,148) | (9,151) | (10,635) |
| Increase (decrease) in accrued liabilities | (1,217) | 23,608 | (9,221) |
| Increase (decrease) in claims and judgments | (9,170) | - | - |
| Increase (decrease) in compensated absences | (8,378) | 15,687 | 2,129 |
| Total Adjustments | (29,371) | 45,863 | 16,610 |
| Net Cash Provided (Used) by Operating Activities | \$ (1,989,179) | \$ 81,366 | \$ 2,921 |

CITY OF BANNING

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2012

| | Utility Billing Accounting & Collection | Totals |
|---|---|----------------------|
| Cash Flows from Operating Activities: | | |
| Cash received from customers and users | \$ 1,487,955 | \$ 4,809,612 |
| Cash paid to suppliers for goods and services | (689,495) | (5,218,889) |
| Cash paid to employees for services | (778,709) | (1,475,864) |
| Net Cash Provided (Used) by Operating Activities | 19,751 | (1,885,141) |
| Cash Flows from Non-Capital Financing Activities: | | |
| Cash transfers in | - | 1,810,780 |
| Miscellaneous | - | 416,842 |
| Net Cash Provided (Used) by Non-Capital Financing Activities | - | 2,227,622 |
| Cash Flows from Capital and Related Financing Activities: | | |
| Acquisition and construction of capital assets | (23,797) | (160,250) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | (23,797) | (160,250) |
| Cash Flows from Investing Activities: | | |
| Interest received | 944 | 35,968 |
| Net Cash Provided (Used) by Investing Activities | 944 | 35,968 |
| Net Increase (Decrease) in Cash and Cash Equivalents | (3,102) | 218,199 |
| Cash and Cash Equivalents at Beginning of Year | 275,365 | 3,354,008 |
| Cash and Cash Equivalents at End of Year | \$ 272,263 | \$ 3,572,207 |
| Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities: | | |
| Operating income (loss) | \$ 7,542 | \$(1,930,452) |
| Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities: | | |
| Depreciation | 16,493 | 61,521 |
| (Increase) decrease in accounts receivable | 6,525 | 11,090 |
| (Increase) decrease in loans receivable | 34 | (1,537) |
| (Increase) decrease in inventories | - | 3,021 |
| (Increase) decrease in due from other governments | - | (1,445) |
| Increase (decrease) in accounts payable | (28,436) | (58,370) |
| Increase (decrease) in accrued liabilities | 4,548 | 17,718 |
| Increase (decrease) in claims and judgments | - | (9,170) |
| Increase (decrease) in compensated absences | 13,045 | 22,483 |
| Total Adjustments | 12,209 | 45,311 |
| Net Cash Provided (Used) by Operating Activities | \$ 19,751 | \$(1,885,141) |

CITY OF BANNING

COMBINING BALANCE SHEET
ALL AGENCY FUNDS
JUNE 30, 2012

| | Sun Lake CFD 86-1 | Special AD 91-1 | Area Police Computer |
|---|----------------------|--------------------|-------------------------|
| Assets: | | | |
| Pooled cash and investments | \$ 34,894 | \$ 46,478 | \$ 54,531 |
| Receivables: | | | |
| Accrued interest | 29 | 41 | 41 |
| Due from other governments | - | 1,288 | - |
| Restricted assets: | | | |
| Cash and investments with fiscal agents | - | - | - |
| Total Assets | \$ 34,923 | \$ 47,807 | \$ 54,572 |
| Liabilities: | | | |
| Accounts payable | \$ - | \$ - | \$ 28,676 |
| Deposits payable | - | 4,701 | - |
| Due to bondholders | 34,923 | 43,106 | 25,896 |
| Total Liabilities | \$ 34,923 | \$ 47,807 | \$ 54,572 |

CITY OF BANNING

COMBINING BALANCE SHEET
ALL AGENCY FUNDS
JUNE 30, 2012

| | Fair Oaks AD 2004-1 | Cameo Homes | Totals |
|---|------------------------|------------------|-------------------|
| Assets: | | | |
| Pooled cash and investments | \$ 167,327 | \$ 45,615 | \$ 348,845 |
| Receivables: | | | |
| Accrued interest | 103 | 38 | 252 |
| Due from other governments | 6,660 | - | 7,948 |
| Restricted assets: | | | |
| Cash and investments with fiscal agents | 218,052 | - | 218,052 |
| Total Assets | \$ 392,142 | \$ 45,653 | \$ 575,097 |
| Liabilities: | | | |
| Accounts payable | \$ 92 | \$ - | \$ 28,768 |
| Deposits payable | 16,886 | 40,000 | 61,587 |
| Due to bondholders | 375,164 | 5,653 | 484,742 |
| Total Liabilities | \$ 392,142 | \$ 45,653 | \$ 575,097 |

CITY OF BANNING

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 YEAR ENDED JUNE 30, 2012

| | Balance 7/1/2011 | Additions | Deductions | Balance 6/30/2012 |
|---|---------------------|-------------------|-------------------|----------------------|
| <u>Sun Lake CFD 86-1</u> | | | | |
| Assets: | | | | |
| Pooled cash and investments | \$ 34,775 | \$ 160 | \$ 41 | \$ 34,894 |
| Accrued interest | 59 | 29 | 59 | 29 |
| Total Assets | \$ 34,834 | \$ 189 | \$ 100 | \$ 34,923 |
| Liabilities: | | | | |
| Due to bondholders | \$ 34,834 | \$ 189 | \$ 100 | \$ 34,923 |
| Total Liabilities | \$ 34,834 | \$ 189 | \$ 100 | \$ 34,923 |
| <u>Special AD 91-1</u> | | | | |
| Assets: | | | | |
| Pooled cash and investments | \$ 171,747 | \$ 3,850 | \$ 129,119 | \$ 46,478 |
| Receivables: | | | | |
| Accrued interest | 207 | 41 | 207 | 41 |
| Due from other governments | 3,477 | 1,288 | 3,477 | 1,288 |
| Restricted assets: | | | | |
| Cash and investments with fiscal agents | 378,144 | 265,646 | 643,790 | - |
| Total Assets | \$ 553,575 | \$ 270,825 | \$ 776,593 | \$ 47,807 |
| Liabilities: | | | | |
| Accounts payable | \$ 184 | \$ 4,051 | \$ 4,235 | \$ - |
| Deposits payable | 4,701 | - | - | 4,701 |
| Due to bondholders | 548,690 | 266,774 | 772,358 | 43,106 |
| Total Liabilities | \$ 553,575 | \$ 270,825 | \$ 776,593 | \$ 47,807 |
| <u>Area Police Computer</u> | | | | |
| Assets: | | | | |
| Pooled cash and investments | \$ 15,457 | \$ 64,893 | \$ 25,819 | \$ 54,531 |
| Receivables: | | | | |
| Accrued interest | 29 | 41 | 29 | 41 |
| Total Assets | \$ 15,486 | \$ 64,934 | \$ 25,848 | \$ 54,572 |
| Liabilities: | | | | |
| Accounts payable | \$ 467 | \$ 48,006 | \$ 19,797 | \$ 28,676 |
| Due to bondholders | 15,019 | 16,928 | 6,051 | 25,896 |
| Total Liabilities | \$ 15,486 | \$ 64,934 | \$ 25,848 | \$ 54,572 |

CITY OF BANNING

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
YEAR ENDED JUNE 30, 2012

| | Balance 7/1/2011 | Additions | Deductions | Balance 6/30/2012 |
|---|-----------------------------|-------------------|---------------------|------------------------------|
| <u>Fair Oaks AD 2004-1</u> | | | | |
| Assets: | | | | |
| Pooled cash and investments | \$ 167,092 | \$ 202,033 | \$ 201,798 | \$ 167,327 |
| Receivables: | | | | |
| Accrued interest | 196 | 103 | 196 | 103 |
| Due from other governments | 7,064 | 6,660 | 7,064 | 6,660 |
| Restricted assets: | | | | |
| Cash and investments with fiscal agents | 219,300 | 30,095 | 31,343 | 218,052 |
| Total Assets | \$ 393,652 | \$ 238,891 | \$ 240,401 | \$ 392,142 |
| Liabilities: | | | | |
| Accounts payable | \$ - | \$ 7,435 | \$ 7,343 | \$ 92 |
| Deposits payable | 16,886 | - | - | 16,886 |
| Due to bondholders | 376,766 | 231,456 | 233,058 | 375,164 |
| Total Liabilities | \$ 393,652 | \$ 238,891 | \$ 240,401 | \$ 392,142 |
| <u>Cameo Homes</u> | | | | |
| Assets: | | | | |
| Pooled cash and investments | \$ 45,461 | \$ 211 | \$ 57 | \$ 45,615 |
| Receivables: | | | | |
| Accrued interest | 76 | 38 | 76 | 38 |
| Total Assets | \$ 45,537 | \$ 249 | \$ 133 | \$ 45,653 |
| Liabilities: | | | | |
| Deposits payable | \$ 40,000 | \$ - | \$ - | \$ 40,000 |
| Due to bondholders | 5,537 | 249 | 133 | 5,653 |
| Total Liabilities | \$ 45,537 | \$ 249 | \$ 133 | \$ 45,653 |
| <u>Totals - All Agency Funds</u> | | | | |
| Assets: | | | | |
| Pooled cash and investments | \$ 434,532 | \$ 271,147 | \$ 356,834 | \$ 348,845 |
| Receivables: | | | | |
| Accrued interest | 567 | 252 | 567 | 252 |
| Due from other governments | 10,541 | 7,948 | 10,541 | 7,948 |
| Restricted assets: | | | | |
| Cash and investments with fiscal agents | 597,444 | 295,741 | 675,133 | 218,052 |
| Total Assets | \$ 1,043,084 | \$ 575,088 | \$ 1,043,075 | \$ 575,097 |
| Liabilities: | | | | |
| Accounts payable | \$ 651 | \$ 59,492 | \$ 31,375 | \$ 28,768 |
| Deposits payable | 61,587 | - | - | 61,587 |
| Due to bondholders | 980,846 | 515,596 | 1,011,700 | 484,742 |
| Total Liabilities | \$ 1,043,084 | \$ 575,088 | \$ 1,043,075 | \$ 575,097 |

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