

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



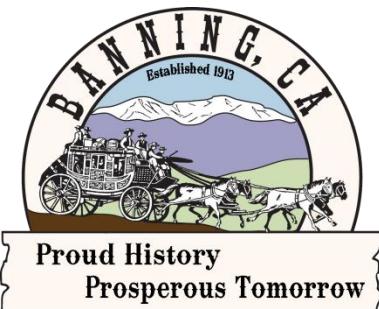
To the Honorable Mayor and Members of City Council
City of Banning, California

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.

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

Brea, California
May 8, 2013



MANAGEMENT'S DISCUSSION AND ANALYSIS

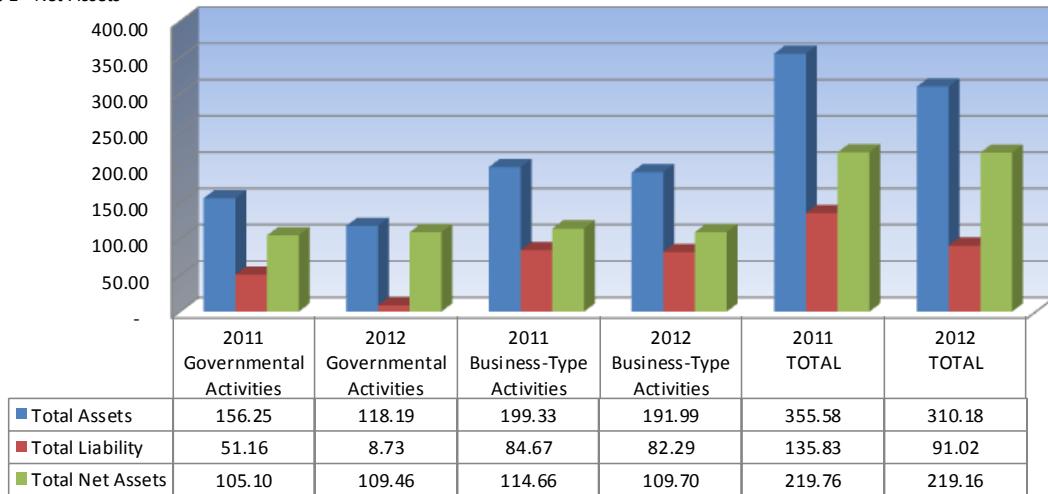
The management of the City of Banning (City) presents this narrative overview and analysis of the financial activities of the City for fiscal year ended June 30, 2012 (FY12). This discussion is intended to provide an introduction to the city's basic financial statements, as well as a financial comparison 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

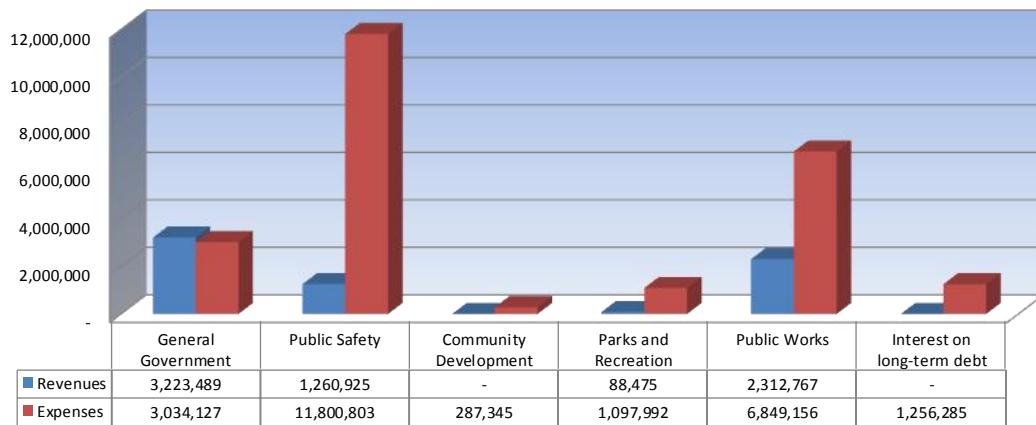
Most of the City's basic services are classified as Governmental Activities. Governmental Activities are financed by Taxes, Revenues from Other Government Agencies, State/Federal Grants, and Charges for Services. The following presents the cost of each of the City's five largest programs – General Government, 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



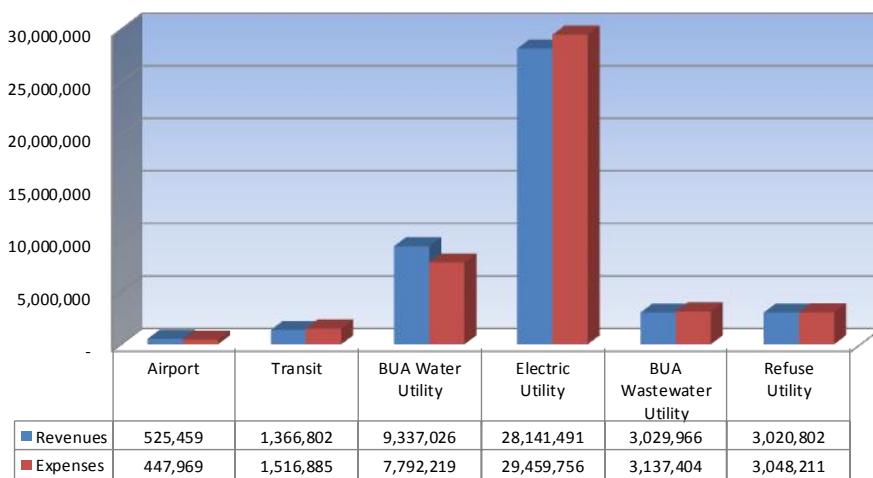
BUSINESS-TYPE ACTIVITIES

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 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	<u>87,695,807</u>	<u>102,490,765</u>	<u>190,186,572</u>
Total Assets	<u>118,194,159</u>	<u>191,985,855</u>	<u>310,180,014</u>
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	<u>3,764,508</u>	<u>76,333,540</u>	<u>80,098,048</u>
Total Liabilities	<u>8,733,636</u>	<u>82,288,169</u>	<u>91,021,805</u>
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	<u>8,521,496</u>	<u>27,584,420</u>	<u>36,105,916</u>
Total Net Assets	<u>\$ 109,460,523</u>	<u>\$ 109,697,686</u>	<u>\$ 219,158,209</u>

CITY OF BANNING

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

	Expenses	Program Revenues			
		Charges for Services	Operating Contributions and Grants	Capital 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	 - (150,083)	 77,490 (150,083)
 - 1,544,807	 - (1,318,265)	 1,544,807 (1,318,265)
 - (107,438)	 - (27,409)	 (107,438) (27,409)
 - 19,102	 - 19,102	 19,102
(17,440,052)	19,102	(17,420,950)
 5,571,836	 - 586,083	 5,571,836 586,083
 2,996,039	 - 819,203	 2,996,039 819,203
 156,161	 - 214,993	 156,161 214,993
 214,993	 - 75,220	 214,993 75,220
 75,220	 - 571,715	 75,220 571,715
 571,715	 - 697,915	 571,715 697,915
 697,915	 - 9	 697,915 9
 - 2,828,520	 - 287,171	 2,828,520 (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>\$ 109,460,523</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> 24,283,882

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

CITY OF BANNING

BUDGETARY COMPARISON STATEMENT
GENERAL FUND
YEAR ENDED JUNE 30, 2012

				Variance with Final Budget	
	Budget Amounts		Actual Amounts		
	Original	Final			
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	<u>7,684,998</u>	<u>7,500,797</u>	<u>7,619,127</u>	<u>118,330</u>	
Licenses and permits:					
Building permits	55,800	55,800	67,867	12,067	
Other permits	86,875	58,200	69,822	11,622	
Subtotal	<u>142,675</u>	<u>114,000</u>	<u>137,689</u>	<u>23,689</u>	
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	<u>456,834</u>	<u>1,372,859</u>	<u>315,724</u>	<u>(1,057,135)</u>	
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	<u>2,943,967</u>	<u>3,508,985</u>	<u>3,608,457</u>	<u>99,472</u>	
Use of money and property:					
Interest and rents	525,750	518,872	482,199	(36,673)	
Subtotal	<u>525,750</u>	<u>518,872</u>	<u>482,199</u>	<u>(36,673)</u>	
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	<u>317,550</u>	<u>269,550</u>	<u>292,192</u>	<u>22,642</u>	
Miscellaneous					
Transfers in	237,745	234,112	191,374	(42,738)	
Subtotal	<u>853,676</u>	<u>964,698</u>	<u>1,010,514</u>	<u>45,816</u>	
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 Amounts	Variance with Final Budget
	Original	Final		
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		Banning Utility	
	Authority Water	Electric 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		Banning Utility Authority Wastewater
	Banning Utility Authority Water	Electric Utility	
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)	
		\$ 2,037,721	

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

	Private- Purpose Trust Fund	Successor
	Agency Funds	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		<u>\$ (5,557,105)</u>
Total Net Assets		<u>\$ (5,557,105)</u>

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	<u>1,495</u>	
Total Additions	<u>1,460,057</u>	
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	<u>2,660,401</u>	
Total Deductions	<u>4,188,642</u>	
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	<u>\$ (5,557,105)</u>	

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CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

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.

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2012

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.

CITY OF BANNING

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.

CITY OF BANNING

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."

CITY OF BANNING

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.

CITY OF BANNING

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

CITY OF BANNING

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.

CITY OF BANNING

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 or regulations of other governments or (b) by law through constitutional provisions or enabling legislation.

CITY OF BANNING

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:**

Fund	Amount
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

CITY OF BANNING

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
<u>Due From Other Funds:</u>	
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
<u>Advances from Other Funds:</u>	
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	
<u>Transfers Out:</u>							
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	\$ 1,010,514	\$ 7,179,221	\$ 1,155	\$ 450,019	\$ 1,155	\$ 1,810,780	\$ 10,452,844

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	\$ 5,910,126

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 5: Changes in Capital Assets (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Business-Type Activities:					
Capital assets, not being depreciated:					
Land	\$ 1,184,229	\$ -	\$ -	\$ -	\$ 1,184,229
Construction-in-progress	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	\$ 108,295,325	\$ (1,660,699)	\$ -	\$ -	\$ 106,634,626

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	\$ 3,667,630

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:

	<u>Gross Receivable</u>	<u>Allowance For Doubtful Accounts</u>	<u>Net Receivable</u>
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	<u>442,274</u>	<u>(16,823)</u>	<u>425,451</u>
	<u><u>\$ 7,336,307</u></u>	<u><u>\$ (176,225)</u></u>	<u><u>\$ 7,160,082</u></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:

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

Note 8: Deposits with Other Agencies

On August 14, 2001, the City of Banning adopted Resolution 2001-85, approving the Utility Services Agreement between the City of Banning and the City of Riverside. Under this agreement, the City of Riverside shall provide scheduling, dispatching and other related electric utility services to the City. The implementation of this agreement required the payment of a refundable deposit by the City of Banning to the City of Riverside. The amount of deposit with the City of Riverside as of June 30, 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	<u>\$ 47,529,483</u>	<u>\$ 1,282,080</u>	<u>\$ 2,508,138</u>	<u>\$ (40,966,339)</u>	<u>\$ 5,337,086</u>	<u>\$ 1,572,578</u>
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	<u>\$ 79,081,614</u>	<u>\$ 86,898</u>	<u>\$ 1,963,884</u>	<u>\$ -</u>	<u>\$ 77,204,628</u>	<u>\$ 2,037,284</u>
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					<u>\$ 78,370,824</u>	

* 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	\$ 5,700,000	\$ 3,645,947	\$ 9,345,947

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	\$ 2,414,042	\$ 324,556	\$ 2,738,598

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.

CITY OF BANNING

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.

CITY OF BANNING

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:

Year	Liability at Beginning of Fiscal Year	Current Year		Liability at End of Fiscal Year
		Claims and Changes in Estimates	Claim Payments	
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	<u>3,897</u>
Total Net Assets	<u><u>\$ (129)</u></u>
Beginning Net Assets	\$ (127)
Total Revenues (including investment)	707
Total Expenses (including debt and loss on refunding)	(721)
Net Contributions (Withdrawals) by Participants	<u>12</u>
Ending Net Assets	<u><u>\$ (129)</u></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)

CITY OF BANNING

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>\$ (2,828,520)</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><u>\$ 17,250,144</u></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><u>\$ 7,415,029</u></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	-	<u>3,936,589</u>	<u>(586,688)</u>	<u>448,721</u>	-	<u>3,798,622</u>
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	-	<u>6,135,412</u>	<u>586,688</u>	<u>94,472</u>	-	<u>6,816,572</u>
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	-	<u>710,039</u>	<u>-</u>	<u>94,324</u>	-	<u>804,363</u>
Total depreciable assets, net	-	<u>5,425,373</u>	<u>586,688</u>	<u>148</u>	-	<u>6,012,209</u>
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
SERAFL loan	-	2,298,433	-	-	2,298,433	-
Total Fiduciary Funds	\$ -	\$ 43,390,035	\$ -	\$ 48,583	43,341,452	\$ 1,132,646
			Unamortized Premiums/Discounts		<u>(730,904)</u>	
			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	<u>1,805,000</u>	<u>91,375</u>	<u>1,896,375</u>
Total	<u><u>\$ 11,000,000</u></u>	<u><u>\$ 5,211,293</u></u>	<u><u>\$ 16,211,293</u></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	<u>1,235,000</u>	<u>27,016</u>	<u>1,262,016</u>
Total	<u><u>\$ 28,850,000</u></u>	<u><u>\$ 18,297,777</u></u>	<u><u>\$ 47,147,777</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)****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	<u>19,278</u>	<u>1,253</u>	<u>20,531</u>
Total	<u><u>\$ 157,862</u></u>	<u><u>\$ 67,976</u></u>	<u><u>\$ 225,838</u></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	<u>793,717</u>	<u>4,045</u>	<u>797,762</u>
Total	<u><u>\$ 935,719</u></u>	<u><u>\$ 212,806</u></u>	<u><u>\$ 1,148,525</u></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			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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.

I. 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.

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

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**

					Capital Projects Funds
					Police Facilities Development
		Special Revenue Funds			
		Wilson Median Improvement	Riverside County MOU	Banning Housing Authority	
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	<u>2,106,730</u>
Total Assets	<u>\$ 13,896,258</u>
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	<u>1,731,500</u>
Total Liabilities	<u>4,040,549</u>
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	<u>(776,594)</u>
Total Fund Balances	<u>9,855,709</u>
Total Liabilities and Fund Balances	<u>\$ 13,896,258</u>

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	<u>65,951</u>	<u>204,768</u>	<u>3</u>	<u>2,025</u>
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	<u>65,951</u>	<u>2,092</u>	<u>3</u>	<u>2,025</u>
Fund Balances, Beginning of Year	187,199	22,537	930	22,796
Restatements	-	-	-	-
Fund Balances, Beginning of Year, as Restated	<u>187,199</u>	<u>22,537</u>	<u>930</u>	<u>22,796</u>
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	<u>6,529</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>6,861</u>	<u>13</u>	<u>6</u>	<u>206</u>
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	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>8,187</u>	<u>-</u>	<u>580</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,326)</u>	<u>13</u>	<u>(574)</u>	<u>206</u>
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Extraordinary gain/(loss) on dissolution of redevelopment agency (Note 17)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>(1,326)</u>	<u>13</u>	<u>(574)</u>	<u>206</u>
Fund Balances, Beginning of Year	68,930	4,879	4,267	80,260
Restatements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, Beginning of Year, as Restated	<u>68,930</u>	<u>4,879</u>	<u>4,267</u>	<u>80,260</u>
Fund Balances, End of Year	<u>\$ 67,604</u>	<u>\$ 4,892</u>	<u>\$ 3,693</u>	<u>\$ 80,466</u>

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	<u>6,223</u>	<u>22,171</u>	<u>4,209</u>	<u>1,352</u>
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	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>8,604</u>	<u>23,267</u>	<u>5,429</u>	<u>1,713</u>
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	-	-	-	-
Extraordinary gain/(loss) on dissolution of redevelopment agency (Note 17)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
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	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
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	<u>66,032</u>
Total Revenues	<u>5,331,780</u>
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	<u>2,874,284</u>
Debt service:	
Principal retirement	947,263
Interest and fiscal charges	<u>1,791,678</u>
Total Expenditures	<u>8,339,087</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,007,307)</u>
Other Financing Sources (Uses):	
Transfers in	7,179,221
Transfers out	<u>(1,604,728)</u>
Total Other Financing Sources (Uses)	<u>5,574,493</u>
Extraordinary gain/(loss) on dissolution of redevelopment agency (Note 17)	<u>(21,455,362)</u>
Net Change in Fund Balances	<u>(18,888,176)</u>
Fund Balances, Beginning of Year	21,743,885
Restatements	<u>7,000,000</u>
Fund Balances, Beginning of Year, as Restated	<u>28,743,885</u>
Fund Balances, End of Year	<u>\$ 9,855,709</u>

CITY OF BANNING

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

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
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 Amounts	Variance with Final Budget
	Original	Final	Amounts	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 Amounts	Variance with Final Budget	Positive (Negative)
	Original	Final			
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 Amounts		Variance with Final Budget
	Original	Final	Original	Final	Positive (Negative)
Budgetary Fund Balance, July 1	\$ 13,015	\$ 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 Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
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 Amounts	Variance with Final Budget
	Original	Final		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		Variance with Final Budget	
	Original	Final	Actual Amounts	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 Amounts	Variance with Final Budget	Positive (Negative)
	Original	Final			
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		Variance with Final Budget	
	Original	Final	Actual Amounts	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 Amounts	Variance with Final Budget
	Original	Final	Original	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 Amounts	Variance with Final Budget
	Original	Final	Original	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 Amounts		Variance with Final Budget
	Original	Final	Original	Final	Positive (Negative)
Budgetary Fund Balance, July 1	\$ 68,930	\$ 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 Amounts	Variance with Final Budget	Positive (Negative)
	Original	Final			
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 Amounts	Variance with Final Budget
	Original	Final	Original	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 Amounts	Variance with Final Budget
	Original	Final	Original	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 Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
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 Amounts		Variance with Final Budget
	Original	Final	Original	Final	Positive (Negative)
Budgetary Fund Balance, July 1	\$ 312,944	\$ 312,944	\$ 312,944	\$ 312,944	\$ -
Resources (Inflows):					
Intergovernmental	450,000	450,000	450,000	450,000	-
Use of money and property	1,000	1,000	530	530	(470)
Amounts Available for Appropriation	763,944	763,944	763,474	763,474	(470)
Charges to Appropriation (Outflow):					
Public safety	536,822	536,822	524,271	524,271	12,551
Total Charges to Appropriations	536,822	536,822	524,271	524,271	12,551
Budgetary Fund Balance, June 30	\$ 227,122	\$ 227,122	\$ 239,203	\$ 239,203	\$ 12,081

CITY OF BANNING

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

	Budget Amounts		Variance with Final Budget	
	Original	Final	Actual Amounts	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 Amounts	Variance with Final Budget
	Original	Final		
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 Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
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 Amounts	Variance with Final Budget
	Original	Final		
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 Amounts		Variance with Final Budget
	Original	Final	Amounts		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 Amounts		Variance with Final Budget
	Original	Final	Amounts		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 Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
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		Variance with Final Budget	
	Original	Final		
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 Amounts	Variance with Final Budget
	Original	Final		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 Amounts	Variance with Final Budget
	Original	Final	Amounts	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

	Self Insurance	Fleet Maintenance	Information Services
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
	286,615	3,684,944
Noncurrent:		
Capital assets - net of accumulated depreciation	28,939	509,336
	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
	84,598	819,544
Noncurrent:		
Compensated absences	28,506	92,414
Claims and judgments	-	353,863
	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
	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**

	Self Insurance	Fleet Maintenance	Information Services
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

	<u>Self Insurance</u>	<u>Fleet Maintenance</u>	<u>Information Services</u>
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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