



**CITY OF BANNING, CALIFORNIA**  
**FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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## INDEPENDENT AUDITOR'S 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, 2011, 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, 2011, 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 22 – "California Redevelopment Agency Dissolution". The note provides information on two bills passed, AB X1 26 and AB X1 27 which dissolve redevelopment agencies and provide an option to avoid dissolution by making certain defined payments. The Note also provides further information on the California Supreme Court ruling dated December 29, 2011 in regards to these two bills.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2012, 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



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

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 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 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 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 & Langhard, LLP". The signature is fluid and cursive, with "Lance" and "Soll" on the first line and "& Langhard, LLP" on the second line.

Brea, California  
February 8, 2012



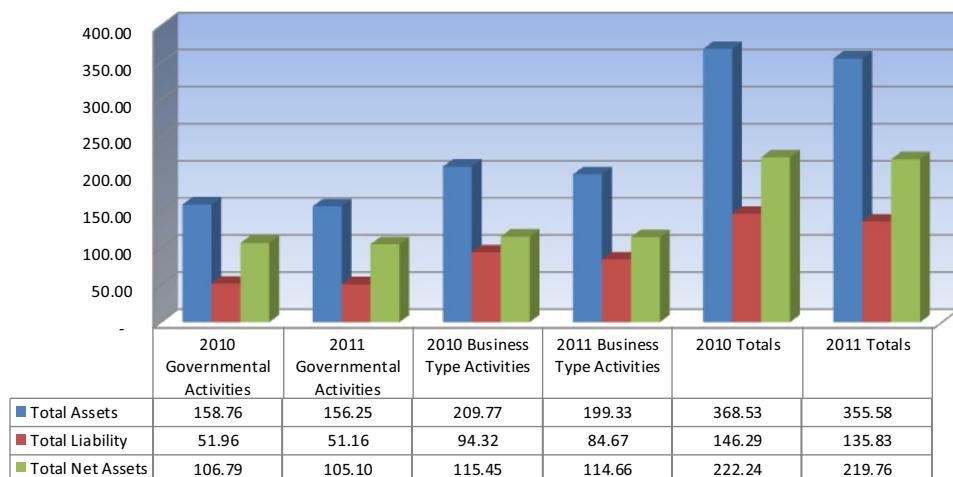
## MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2011 (FY11). 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, 2010 (FY10). 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 FY11 was \$219.76 million (see Chart 1). "Net assets" represents the difference between the City resources (total assets) and its obligations (total liabilities).
- The City's net assets decreased by \$2.48 million, or approximately -1.12% during the fiscal year. The net assets of the governmental activities decreased by \$1.69 million, or approximately -1.58%, and the net assets of the business-type activities decreased by \$0.79 million, or approximately -0.68%.
- The most significant increase in net assets was the Unrestricted Assets, which increased by \$24.86 million.
- Total liabilities decreased in FY11 by \$10.46 million.



## REVENUES AND EXPENDITURES

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- During FY11, the City had revenues that were \$1.70 million less than the \$26.89 million in expenses recorded by the City in its governmental activities.
- In the City's business-type activities, revenues were \$0.79 million less than the \$45.97 million in expenses recorded.

## GENERAL FUND RESERVES

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The City's General Fund reserve policy establishes a commitment of \$3 million for emergency contingency. Any remaining fund balance is identified as assigned or unassigned. The terminology and presentation of fund balance has changed with the implementation of GASB 54.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The fund statements can be divided into three categories:

- **Government fund statements** tell how general government services such as police, fire, public works and special revenue funds were financed in the short-term as well as what remains for future spending.
- **Proprietary fund statements** offer short-term and long-term financial information about the activities the City operates like businesses, such as: water, wastewater and electric utility services, airport, and transit.
- **Fiduciary fund statements** provide information about the financial relationships in which the City acts solely as a trustee or agent for the benefit of other governmental units, private organizations, or individuals to whom the resources belong.

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

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

## GOVERNMENT-WIDE FINANCIAL STATEMENTS

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### REPORTING THE CITY AS A WHOLE

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

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

In the statement of Net Assets and the Statement of Activities, the City Activities are separated as follows:

- **Governmental activities** – Most of the City's basic services are reported in this category, including the general administration (city manager, city clerk, finance, etc.), police and fire protection, public works, community development, parks and recreation, and interest on long-term debt. Property taxes, sales tax, transient occupancy tax, user fees, interest income, franchise fees, state and federal grants, contributions from other agencies, and other revenues finance these activities.
- **Business-type activities** – The City charges a fee to customers to cover all or most of the cost of certain services it provides. The City's municipal airport, transit, refuse, electric, water and wastewater operations are reported in this category.

The government-wide financial statements include not only the city itself, but also legally separate component units such as the Banning Redevelopment Agency and Banning Utility Authority. These component units, while legally separate from the City, provide services entirely or almost exclusively for the benefit of the City. Therefore, these component units are blended with the City government because of their governance and their financial relationships with the City.

## FUND FINANCIAL STATEMENTS

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

- **Governmental funds** – Most of the City's basic services are included in governmental funds, which are used to account for *short-term* inflows and outflows of spendable resources, and the remaining year end balances available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. Governmental fund information helps determine the financial resources available to finance the City's programs. Due to the fact that this information does not encompass the additional long-term focus of the government-wide statements, the differences in the Governmental Fund financial statements to those in the Government-Wide financial statements are explained in a reconciliation following each Governmental Fund financial statement.
- **Proprietary funds** – When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds and financial statements, like the government-wide statements, provide both long-term and short-term financial information.
  - **Enterprise funds** are used to report the same functions presented as business-type activities in the government-wide financial statements.
  - **Internal service funds** report activities that provide services for the City's other programs and activities such as the City's Insurance, Fleet Maintenance, Information Systems and Utility Billing Services.
- **Fiduciary funds** – The City is the trustee, or *fiduciary*, for certain funds held on behalf of those entities outside of the government. The City's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

## THE CITY AS A WHOLE

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**T**he City's combined net assets were \$219.76 million at June 30, 2011. A separate review of the net change in the governmental and business-type activities depicts two different stories. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the City's governmental and business-type activities.

### NET ASSETS

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Net assets represent the difference between the City's resources and its obligations. Over time, net assets may serve as an indication of a government's financial position. The City's Net Assets are made-up of three components: Invested in Capital Assets Net of Related Debt, Restricted and Unrestricted Net Assets.

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

*Table 1 - Summary of Net Assets (In Millions)*

	Governmental Activities		Business Type Activities		Totals		TOT % CHG
	2010	2011	2010	2011	2010	2011	
Current and other assets	54.49	50.12	100.10	91.04	154.58	141.15	-8.7%
Capital assets	104.27	106.14	109.67	108.30	213.94	214.43	0.2%
<b>TOTAL ASSETS</b>	<b>\$ 158.76</b>	<b>\$ 156.25</b>	<b>\$ 209.77</b>	<b>\$ 199.33</b>	<b>\$ 368.53</b>	<b>\$ 355.58</b>	<b>-3.5%</b>
Long-term liabilities							
outstanding	48.25	46.77	87.84	80.27	136.09	127.04	-6.7%
Other liabilities	3.71	4.39	6.49	4.40	10.20	8.79	-13.8%
<b>TOTAL LIABILITIES</b>	<b>\$ 51.96</b>	<b>\$ 51.16</b>	<b>\$ 94.32</b>	<b>\$ 84.67</b>	<b>\$ 146.29</b>	<b>\$ 135.83</b>	<b>-7.2%</b>
Net assets:							
Invested in capital assets							
net of related debt	76.91	61.12	56.09	55.50	133.00	116.62	-12.3%
Restricted for:							
Public Safety	0.46	0.53	-	-	0.46	0.53	16.8%
Parks and Recreation	0.09	0.09	-	-	0.09	0.09	-0.2%
Public works	2.67	2.46	-	-	2.67	2.46	-7.9%
Capital Projects	17.73	14.94	28.01	21.15	45.74	36.09	-21.1%
Debt Service	2.20	1.0	5.67	5.67	7.88	6.69	-15.0%
Unrestricted	6.72	24.92	25.67	32.34	32.40	57.26	76.7%
<b>TOTAL NET ASSETS</b>	<b>\$ 106.79</b>	<b>\$ 105.10</b>	<b>\$ 115.45</b>	<b>\$ 114.66</b>	<b>\$ 222.24</b>	<b>\$ 219.76</b>	<b>-1.1%</b>

## CHANGES IN NET ASSETS

The combined net assets of the primary government decreased by \$2.48 million this fiscal year—from \$222.24 million in FY10 to \$219.76 million in FY11. “Net assets” represents the difference between the City resources (total assets) and its obligations (total liabilities).

## REVENUES

The combined revenues for FY11 were \$70.38 million of which \$25.19 million is from Governmental Activities, and \$45.18 million is from Business Type Activities. Compared to FY10, total revenues increased \$3.46 million from \$66.91 million. The major area with an increase was Operating Grants and Contributions. Table 2 provides information on the major revenue sources and comparisons between the current and prior fiscal year. Overall, this table shows that Total Revenues have increased by 5.2%.

Chart 2 – Sources of Revenue

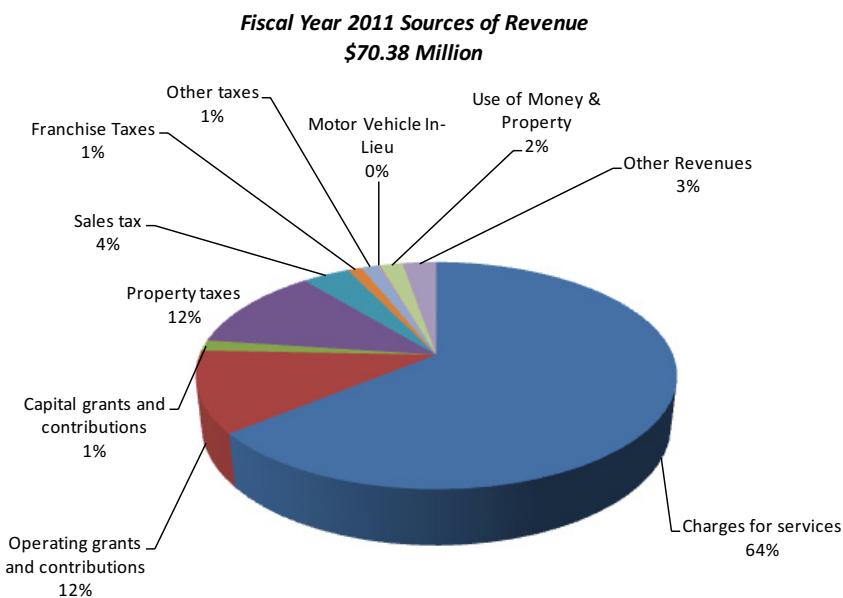


Table 2 - Sources of Revenue (In Millions)

Revenues:	2010	2011	Increase / (Decrease)	% Change
Program Revenues:				
Charges for services	45.05	45.07	0.02	0.1%
Operating grants and contributions	4.17	8.15	3.97	95.2%
Capital grants and contributions	1.46	1.06	(0.40)	-27.1%
General Revenues:				
Property taxes	8.28	8.37	0.09	1.1%
Sales tax	2.72	2.67	(0.05)	-1.9%
Franchise Taxes	0.76	0.80	0.04	5.9%
Other taxes	0.77	1.00	0.23	30.1%
Motor Vehicle In-Lieu	0.06	0.09	0.03	49.1%
Use of Money & Property	2.52	1.27	(1.25)	-49.6%
Other Revenues	1.14	1.91	0.77	67.9%
<b>TOTAL REVENUES</b>	<b>\$ 66.91</b>	<b>\$ 70.38</b>	<b>\$ 3.46</b>	<b>5.2%</b>

## EXPENSES

The Expenses of the City totaled \$72.86 million, a decrease of 5.9% over FY10 (see Table 3). The Governmental Activities totaled \$26.89 million, or 36.91% of total expenses. Governmental Activities are grouped by functional activity. General Government includes Administration, City Clerk, City Treasurer, Finance, Human Resources, Public Safety and certain Redevelopment Agency functions. Public Safety includes Police and Fire services.

Business Activities totaled \$45.97 million, a decrease of 4.5% over FY10, which accounts for 63% of total expenses. Business type activities are also grouped by functional activity. These typically represent activities performed in exchange for a fee.

Chart 3 – Functional Expenses

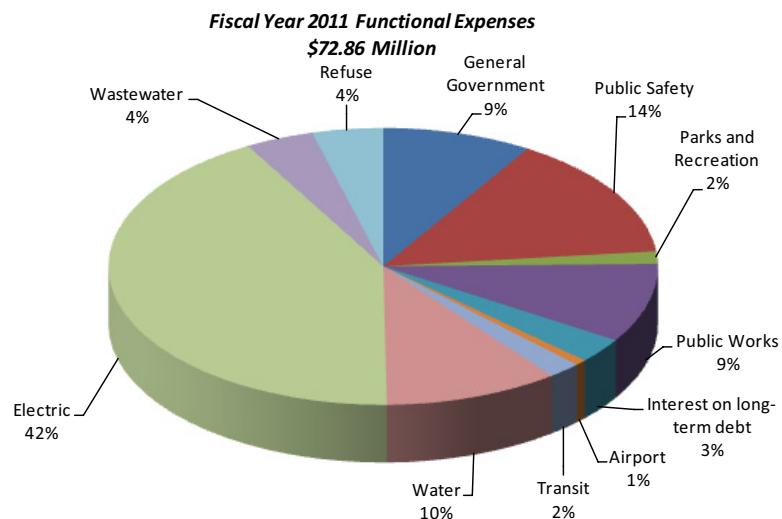


Table 3 - Functional Expenses (in Millions)

Expenses:	2010	2011	Increase / (Decrease)	Change %
Governmental Activities				
General Government	9.21	6.43	(2.77)	-30.1%
Public Safety	10.87	10.52	(0.35)	-3.2%
Parks and Recreation	1.68	1.07	(0.61)	-36.4%
Public Works	5.39	6.73	1.35	25.0%
Interest on long-term debt	2.14	2.14	(0.01)	-0.3%
Government Subtotal	29.28	26.89	(2.39)	-8.2%
Business Type Activities				
Airport	0.50	0.49	(0.01)	-2.6%
Transit	1.25	1.40	0.14	11.3%
Water	7.94	7.50	(0.44)	-5.5%
Electric	32.38	30.60	(1.78)	-5.5%
Wastewater	3.01	2.94	(0.07)	-2.3%
Refuse	3.05	3.04	(0.01)	-0.2%
Business Subtotal	48.13	45.97	(2.16)	-4.5%
TOTAL EXPENSES	\$ 77.41	\$ 72.86	(4.55)	-5.9%

## GOVERNMENTAL ACTIVITIES

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

Chart 4 – Governmental Activities Program Revenue & Expenses

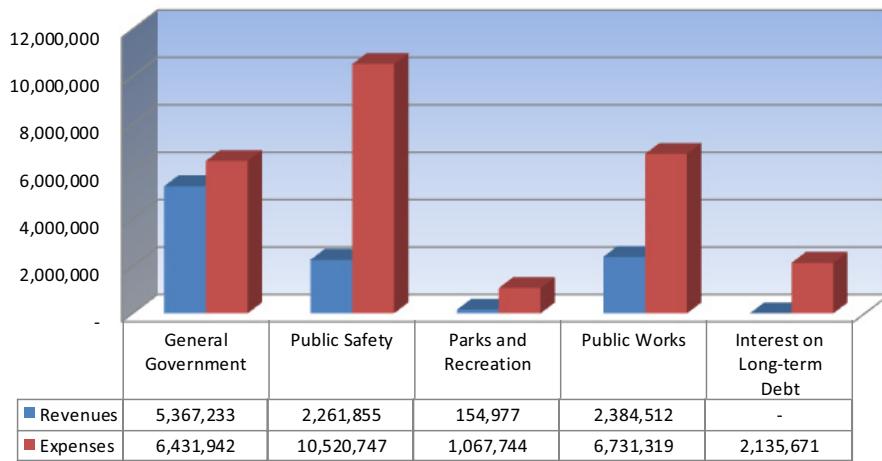


Table 4 - Program Net Cost: Government Activities

	Program Revenues			Total Cost of Services			Net Revenues (Expenses)		
	2010	2011	% Chg	2010	2011	% Chg	2010	2011	% Chg
General Government	3,934,871	5,367,233	36%	9,205,564	6,431,942	-30%	(5,270,693)	(1,064,709)	-80%
Public Safety	1,005,809	2,261,855	125%	10,866,325	10,520,747	-3%	(9,860,516)	(8,258,892)	-16%
Parks and Recreation	425,476	154,977	-64%	1,679,401	1,067,744	-36%	(1,253,925)	(912,767)	-27%
Public Works	1,370,480	2,384,512	74%	5,385,221	6,731,319	25%	(4,014,741)	(4,346,807)	8%
Interest on long-term debt	-	-	0%	2,142,520	2,135,671	0%	(2,142,520)	(2,135,671)	0%
Government Subtotal	6,736,636	10,168,577	51%	29,279,031	26,887,423	-8%	(22,542,395)	(16,718,846)	-26%
General Revenues	15,206,876	15,023,710	-1%	-	-	-	15,206,876	15,023,710	-1%
<b>TOTAL</b>	<b>21,943,512</b>	<b>25,192,287</b>	<b>15%</b>	<b>29,279,031</b>	<b>26,887,423</b>	<b>-8%</b>	<b>(7,335,519)</b>	<b>(1,695,136)</b>	<b>-77%</b>

## BUSINESS-TYPE ACTIVITIES

Certain services provided by the City are funded by customer fees. The following represents the cost of each of the City's six programs - airport, transit, water utility, electric utility, wastewater utility and refuse utility - as well as each program's *net* cost (total cost less revenues generated by the activities). The net revenues (expenses) show the financial burden that was placed on the City's taxpayers by each of these functions (see Table 5).

Chart 5 – Business-Type Activities Program Revenue & Expense

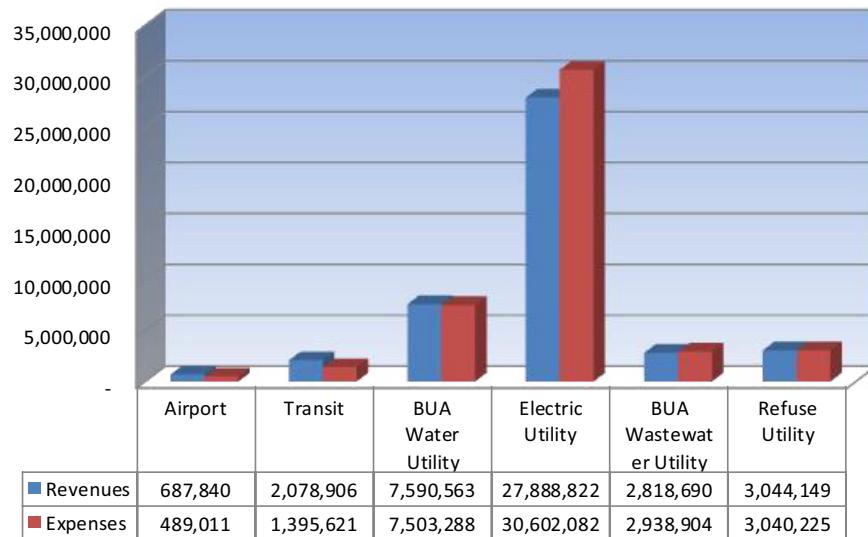


Table 5 - Program Net Cost: Business-Type Activities

	Program Revenues			Total Cost of Services			Net Revenues (Expenses)		
	2010	2011	% Chg	2010	2011	% Chg	2010	2011	% Chg
Airport	1,248,293	687,840	-45%	502,232	489,011	-3%	746,061	198,829	-73%
Transit	1,437,117	2,078,906	45%	1,253,637	1,395,621	11%	183,480	683,285	272%
BUA Water Utility	7,227,662	7,590,563	5%	7,940,762	7,503,288	-6%	(713,100)	87,275	-112%
Electric Utility	28,489,622	27,888,822	-2%	32,378,688	30,602,082	-5%	(3,889,066)	(2,713,260)	-30%
BUA Wastewater Utility	2,534,169	2,818,690	11%	3,007,322	2,938,904	-2%	(473,153)	(120,214)	-75%
Refuse Utility	3,005,328	3,044,149	1%	3,047,074	3,040,225	0%	(41,746)	3,924	-109%
Business Subtotal	43,942,191	44,108,970	0%	48,129,715	45,969,131	-4%	(4,187,524)	(1,860,161)	-56%
General Revenues	1,027,074	1,074,959	5%	-	-	-	1,027,074	1,074,959	5%
<b>TOTAL</b>	<b>44,969,265</b>	<b>45,183,929</b>	<b>0%</b>	<b>48,129,715</b>	<b>45,969,131</b>	<b>-4%</b>	<b>(3,160,450)</b>	<b>(785,202)</b>	<b>-75%</b>

## FINANCIAL ANALYSIS OF THE FUND STATEMENTS

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

### THE CITY'S FUNDS

The city's governmental funds reported combined fund balances at June 30, 2011 of \$33.86 million, which is a decrease of \$8.42 million over the previous fiscal year. This is primarily from expended Redevelopment bond projects. The City implemented the requirements of GASB 54 during the fiscal year ended on June 30, 2011. More information is available in Note 1: Fund Equity. The City Council committed \$3 million as an emergency contingency and funds of \$2.70 million are committed to capital projects. \$9.61 million is classified as nonspendable, for items such as land

held for resale, loans receivable and advances to other funds. Restricted funds total \$15.68 million and are restricted for public safety, parks and recreation, public works, capital projects and debt service. Funds classified as assigned to public safety, parks and recreation, public works, general government, future compensated absences, continuing appropriations and gas tax commitment total \$2.12 million. The remaining unassigned fund balance totals \$0.76 million.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

Throughout the year, with the recommendation from the City's staff, the City Council revised the City budget several times. The Amended Budget differs from the Adopted Budget in that it contains carry-forward appropriations and revenues for various projects, supplemental revenues, carry-forward appropriations for open purchase orders from the previous year, and appropriations approved by City Council throughout the year. Budgetary adjustments were made on an ongoing basis in an effort to accurately reflect the City's financial position. These adjustments included, but were not limited to, new projects or contracts, change orders to existing projects or contracts, and other adjustments deemed necessary to maintain current service levels. All adjustments, that either increase or decrease appropriations or estimated revenue, are approved by the City Council.

For the City's general fund, actual ending revenues of \$28.61 million were \$5.54 million more than the final budgeted revenues of \$23.07 million. The most significant variance was in "transfers in" to the general fund as a result of the \$6.21 million transferred in from the Redevelopment Agency, in the form of land held for resale. The Redevelopment Agency transferred the properties in preparation of the City acting as Successor Agency to the Redevelopment Agency. Since no cash actually changed hands, a budget adjustment was not recommended. As a result, the \$6.21 million from the Redevelopment Agency was not included in the adopted or adjusted budget. Second to "transfers in", was "other intergovernmental revenues". In this category, the City budgeted a total of \$1.96 million, and the actual was \$1.3 million, primarily as a result of grants awarded but not yet received.

The general fund actual ending expenditures of \$16.50 million were \$1.30 million more than the final budget of \$15.20 million. Some expenditures originally anticipated for did not occur in FY11 but will be reflected in the 2011 report. There were significant changes in the original budget compared to the final budget.

The City's general fund appropriations increased \$2.39 million to \$15.20 million. This was due to the carryover of continuing appropriations as well as grants secured throughout the year, final expenditures were \$16.5 million. The City's general fund showed a net increase in fund balance of \$6.92 million which includes the transfers of land held for resale described above.

## CAPITAL ASSET AND DEBT ADMINISTRATION

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### CAPITAL ASSETS

At June 30, 2011, the City had \$214.43 million invested in a broad range of capital assets (See Table 6).

*Table 6 - Capital Assets by Activity*

	Governmental Activities			Business-Type Activities			Totals		
	2010	2011	% Chg	2010	2011	% Chg	2010	2011	% Chg
Land	3,093,600	6,345,170	105%	1,184,229	1,184,229	0%	4,277,829	7,529,399	76%
Construction in Progress	1,502,911	3,501,022	133%	1,993,013	2,611,379	31%	3,495,924	6,112,401	75%
Building and Structures	16,820,856	16,363,102	-3%	146,937	140,384	-4%	16,967,793	16,503,486	-3%
Land Improvements	5,842,977	5,435,953	-7%	1,972,224	1,821,884	-8%	7,815,201	7,257,837	-7%
Machinery and Equipment	1,662,198	1,624,820	-2%	9,178	5,243	-43%	1,671,376	1,630,063	-2%
Vehicles	1,093,272	694,727	-36%	-	-	0%	1,093,272	694,727	-36%
Utility Plant	-	-	-	104,368,089	102,532,206	-2%	104,368,089	102,532,206	-2%
Infrastructure	74,251,957	72,172,366	-3%	-	-	-	74,251,957	72,172,366	-3%
<b>TOTAL</b>	<b>104,267,771</b>	<b>106,137,160</b>	<b>2%</b>	<b>109,673,670</b>	<b>108,295,325</b>	<b>-1%</b>	<b>213,941,441</b>	<b>214,432,485</b>	<b>0%</b>

### DEBT

At year-end, the City's governmental activities had \$47.53 million in bonds, loans, advances, leases, and compensated absences outstanding while the business-type activities had \$79.08 million in debt (see Table 7).

*Table 7 - Debt Recap*

	Governmental Activities			Business-Type Activities			Totals		
	2010	2011	% Chg	2010	2011	% Chg	2010	2011	% Chg
Compensated Absences	1,200,678	1,234,291	3%	567,030	652,169	15%	1,767,708	1,886,460	7%
Tax Allocation Bonds	41,555,000	40,780,000	-2%	-	-	0%	41,555,000	40,780,000	-2%
Refunding Lease	-	3,455,000	-	-	-	-	-	3,455,000	-
Certificates of Participation	4,210,000	-	-100%	-	-	0%	4,210,000	-	-100%
Revenue Bonds	-	-	0%	83,290,000	75,780,000	-9%	83,290,000	75,780,000	-9%
Claims & Judgements	903,988	926,590	3%	-	-	0%	903,988	926,590	3%
Loans	1,171,566	1,133,602	-3%	2,878,883	2,649,445	0%	4,050,449	3,783,047	-7%
<b>TOTAL</b>	<b>49,041,232</b>	<b>47,529,483</b>	<b>-3%</b>	<b>86,735,913</b>	<b>79,081,614</b>	<b>-9%</b>	<b>135,777,145</b>	<b>126,611,097</b>	<b>-7%</b>

During fiscal year ended June 30, 2011, the City paid \$.78 million toward Redevelopment Tax Allocation Bonds and \$4.21 million to retire COP's. The City was able to meet its current debt obligations in a timely manner.

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

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

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**T**his report shows some signs of improvement in the economy. Overall revenues did improve by \$3.46 million. However, this improvement is a result of the grants received. The city is still impacted by the effects of the recession.

Total Assets decreased by \$12.94 million. This decrease reflects the use of bond funds received in prior years and use of existing fund balances in order to meet capital and service needs in FY11. Total Liabilities decreased by \$10.46 million, which is a net reduction in debt owed by the City. Overall, the City's financial condition shows a reduction in Net Assets of \$2.48 million.

In preparing the budget for 2011, management looked at the following economic factors:

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

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

- The State's fiscal problems did not result in any significant City revenue reductions for 2011.
- The downturn in the housing market continues to have an adverse impact on various City revenues.
- Sales Tax revenue did include some growth.
- Property Tax revenue did not include any growth but rather a decline.
- Investment revenues included a decline.
- Development related revenues continued to be lower than the prior year levels due to reduced activity.
- At the time the budget was prepared, the City was unaware of any court decisions, propositions, initiatives, or other actions beyond the City's control that would adversely affect its revenues and expenditures. The City was aware of state legislative together with the governor of the State of California that proposed a budget plan that would eliminate the Redevelopment Agency. A court ruled in favor of the elimination plan. See Note 22 of the Financial Statements. The impacts of this action will be reflected in the 2011-12 report.

The Operating Budget for Fiscal Year 2011-12 is a budget that reflects the City's commitment to provide its citizens a safe environment in which to work, play and while managing the City's financial constraints.

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

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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.

**CITY OF BANNING**

**STATEMENT OF NET ASSETS**  
**JUNE 30, 2011**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Cash and investments	\$ 22,576,840	\$ 43,919,769	\$ 66,496,609
Receivables:			
Accounts	669,306	5,496,482	6,165,788
Loans	8,092,333	13,879	8,106,212
Accrued interest	41,674	76,098	117,772
Internal balances	(8,377,500)	8,377,500	-
Deposits	-	819,966	819,966
Due from other governments	2,545,566	390,371	2,935,937
Inventories	63,736	1,929,125	1,992,861
Unamortized debt issuance costs	1,372,212	1,731,753	3,103,965
Land held for resale	6,206,511	-	6,206,511
Restricted assets:			
Cash and investments	-	1,459,463	1,459,463
Cash with fiscal agent	16,925,324	26,821,845	43,747,169
Capital assets not being depreciated	9,846,192	3,795,608	13,641,800
Capital assets, net of depreciation	96,290,968	104,499,717	200,790,685
<b>Total Assets</b>	<b>156,253,162</b>	<b>199,331,576</b>	<b>355,584,738</b>
<b>Liabilities:</b>			
Accounts payable	1,867,826	2,760,016	4,627,842
Accrued liabilities	698,037	336,467	1,034,504
Accrued interest	735,507	509,270	1,244,777
Unearned revenue	-	97,612	97,612
Deposits payable	525,563	701,537	1,227,100
Due to other governments	562,166	-	562,166
Noncurrent liabilities:			
Due within one year	1,890,105	1,999,100	3,889,205
Due in more than one year	44,878,239	78,267,609	123,145,848
<b>Total Liabilities</b>	<b>51,157,443</b>	<b>84,671,611</b>	<b>135,829,054</b>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	61,119,090	55,502,630	116,621,720
Restricted for:			
Public safety	534,316	-	534,316
Parks and recreation	91,726	-	91,726
Public works	2,461,872	-	2,461,872
Capital projects	14,938,941	21,153,965	36,092,906
Debt service	1,025,398	5,667,880	6,693,278
Unrestricted	24,924,376	32,335,490	57,259,866
<b>Total Net Assets</b>	<b>\$ 105,095,719</b>	<b>\$ 114,659,965</b>	<b>\$ 219,755,684</b>

**CITY OF BANNING**

**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2011**

	<b>Program Revenues</b>			
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Contributions and Grants</b>	<b>Capital Contributions and Grants</b>
<b>Functions/Programs</b>				
<b>Primary Government:</b>				
Governmental Activities:				
General government	\$ 6,431,942	\$ 2,783,441	\$ 2,583,792	\$ -
Public safety	10,520,747	180,793	2,081,062	-
Parks and recreation	1,067,744	64,833	-	90,144
Public works	6,731,319	526,376	887,422	970,714
Interest on long-term debt	2,135,671	-	-	-
<b>Total Governmental Activities</b>	<b>26,887,423</b>	<b>3,555,443</b>	<b>5,552,276</b>	<b>1,060,858</b>
Business-Type Activities:				
Airport	489,011	227,802	460,038	-
Transit	1,395,621	120,260	1,958,646	-
BUA Water Utility	7,503,288	7,463,327	127,236	-
Electric Utility	30,602,082	27,877,890	10,932	-
BUA Wastewater Utility	2,938,904	2,818,690	-	-
Refuse Utility	3,040,225	3,008,019	36,130	-
<b>Total Business-Type Activities</b>	<b>45,969,131</b>	<b>41,515,988</b>	<b>2,592,982</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 72,856,554</b>	<b>\$ 45,071,431</b>	<b>\$ 8,145,258</b>	<b>\$ 1,060,858</b>
<b>General Revenues:</b>				
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				
<b>Transfers</b>				
<b>Total General Revenues and Transfers</b>				
Change in Net Assets				
Net Assets at Beginning of Year				
<b>Net Assets at End of Year</b>				

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

<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
\$ (1,064,709)	\$ -	\$ (1,064,709)
(8,258,892)	-	(8,258,892)
(912,767)	-	(912,767)
(4,346,807)	-	(4,346,807)
<u>(2,135,671)</u>	<u>-</u>	<u>(2,135,671)</u>
<b><u>(16,718,846)</u></b>	<b><u>-</u></b>	<b><u>(16,718,846)</u></b>
- 198,829	198,829	198,829
- 683,285	683,285	683,285
- 87,275	87,275	87,275
- (2,713,260)	(2,713,260)	(2,713,260)
- (120,214)	(120,214)	(120,214)
<u>- 3,924</u>	<u>3,924</u>	<u>3,924</u>
<b><u>(1,860,161)</u></b>	<b><u>(1,860,161)</u></b>	<b><u>(18,579,007)</u></b>
8,366,362	-	8,366,362
506,074	-	506,074
2,667,478	-	2,667,478
800,346	-	800,346
145,500	-	145,500
343,967	-	343,967
92,958	-	92,958
792,272	477,016	1,269,288
595,581	1,311,115	1,906,696
<u>713,172</u>	<u>(713,172)</u>	<u>-</u>
<b><u>15,023,710</u></b>	<b><u>1,074,959</u></b>	<b><u>16,098,669</u></b>
(1,695,136)	(785,202)	(2,480,338)
<u>106,790,855</u>	<u>115,445,167</u>	<u>222,236,022</u>
<b><u>\$ 105,095,719</u></b>	<b><u>\$ 114,659,965</u></b>	<b><u>\$ 219,755,684</u></b>

**CITY OF BANNING**

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2011**

		Capital Projects Funds	Debt Service Funds
	General	Redevelopment Agency	Redevelopment Agency
<b>Assets:</b>			
Pooled cash and investments	\$ 4,887,007	\$ 7,829,536	\$ 1,070,939
Receivables:			
Accounts	613,904	572	-
Loans	27,688	8,060,319	-
Interest	15,965	13,518	634
Due from other governments	1,282,322	25	5,071
Due from other funds	2,517,400	-	-
Advances to other funds	-	2,298,433	-
Land held for resale	6,206,511	-	-
Restricted assets:			
Cash and investments with fiscal agents	-	11,929,357	2,890,201
<b>Total Assets</b>	<b>\$ 15,550,797</b>	<b>\$ 30,131,760</b>	<b>\$ 3,966,845</b>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 771,428	\$ 400,546	\$ 467,490
Accrued liabilities	525,026	24,064	-
Deferred revenues	824,483	6,979,791	-
Deposits payable	361,160	66,202	-
Due to other governments	562,166	-	-
Due to other funds	-	1,095,300	-
Advances from other funds	395,118	7,000,000	2,473,957
<b>Total Liabilities</b>	<b>3,439,381</b>	<b>15,565,903</b>	<b>2,941,447</b>
<b>Fund Balances:</b>			
Nonspendable:			
Land held for resale	6,206,511	-	-
Loans receivable	27,688	1,080,528	-
Advances to other funds	-	2,298,433	-
Restricted for:			
Public safety	-	-	-
Parks and recreation	-	-	-
Public works	-	-	-
Capital projects	-	11,186,896	-
Debt service	-	-	1,025,398
Committed to:			
Capital projects	-	-	-
Emergency contingency	3,000,000	-	-
Assigned to:			
Public safety	7,913	-	-
Parks and recreation	2,319	-	-
Public works	54,704	-	-
General government	933	-	-
Future compensated absences	1,032,604	-	-
Continuing appropriations	700,652	-	-
Gas Tax commitment	317,000	-	-
Unassigned	761,092	-	-
<b>Total Fund Balances</b>	<b>12,111,416</b>	<b>14,565,857</b>	<b>1,025,398</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 15,550,797</b>	<b>\$ 30,131,760</b>	<b>\$ 3,966,845</b>

See Notes to Financial Statements

**CITY OF BANNING**

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2011**

	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>		
Pooled cash and investments	\$ 5,435,350	\$ 19,222,832
Receivables:		
Accounts	470	614,946
Loans	-	8,088,007
Interest	9,107	39,224
Due from other governments	1,258,148	2,545,566
Due from other funds	-	2,517,400
Advances to other funds	-	2,298,433
Land held for resale	-	6,206,511
Restricted assets:		
Cash and investments with fiscal agents	<u>2,105,766</u>	<u>16,925,324</u>
<b>Total Assets</b>	<b><u>\$ 8,808,841</u></b>	<b><u>\$ 58,458,243</u></b>
<b>Liabilities and Fund Balances:</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 127,219	\$ 1,766,683
Accrued liabilities	49,930	599,020
Deferred revenues	7,298	7,811,572
Deposits payable	97,273	524,635
Due to other governments	-	562,166
Due to other funds	2,374,491	3,469,791
Advances from other funds	-	9,869,075
<b>Total Liabilities</b>	<b><u>2,656,211</u></b>	<b><u>24,602,942</u></b>
<b>Fund Balances:</b>		
Nonspendable:		
Land held for resale	-	6,206,511
Loans receivable	-	1,108,216
Advances to other funds	-	2,298,433
Restricted for:		
Public safety	534,316	534,316
Parks and recreation	91,726	91,726
Public works	2,461,872	2,461,872
Capital projects	373,084	11,559,980
Debt service	-	1,025,398
Committed to:		
Capital projects	2,696,906	2,696,906
Emergency contingency	-	3,000,000
Assigned to:		
Public safety	-	7,913
Parks and recreation	-	2,319
Public works	-	54,704
General government	-	933
Future compensated absences	-	1,032,604
Continuing appropriations	-	700,652
Gas Tax commitment	-	317,000
Unassigned	<u>(5,274)</u>	<u>755,818</u>
<b>Total Fund Balances</b>	<b><u>6,152,630</u></b>	<b><u>33,855,301</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 8,808,841</u></b>	<b><u>\$ 58,458,243</u></b>

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**CITY OF BANNING****RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2011**

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Fund balances of governmental funds	\$ 33,855,301
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.	105,726,553
Bond issuance cost is an expenditure in the governmental funds, but it is a deferred charge in the statement of net assets.	1,372,212
Long-term debt and compensated absences that have not been included in the governmental fund activity:	
Long-term liabilities	(44,607,463)
Compensated absences	(1,068,809)
Accrued interest payable for the current portion of interest due on Bonds has not been reported in the governmental funds.	(735,507)
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.	7,811,572
Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The assets and liabilities of the internal service funds must be added to the statement of net assets.	<u>2,741,860</u>
<b>Net assets of governmental activities</b>	<b><u>\$ 105,095,719</u></b>

**CITY OF BANNING**

**STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2011**

	<b>Capital Projects Funds</b>		<b>Debt Service Funds</b>
	<b>General</b>		<b>Redevelopment Agency</b>
			<b>Redevelopment Agency</b>
<b>Revenues:</b>			
Taxes	\$ 7,647,033	\$ 879,924	\$ 3,519,694
Licenses and permits	162,683	-	-
Intergovernmental	1,301,881	-	-
Charges for services	2,982,831	-	-
Use of money and property	99,147	69,709	558,001
Fines and forfeitures	404,274	-	-
Miscellaneous	337,011	22,854	-
<b>Total Revenues</b>	<b>12,934,860</b>	<b>972,487</b>	<b>4,077,695</b>
<b>Expenditures:</b>			
Current:			
General government	2,074,266	3,022,643	1,119,382
Public safety	9,048,645	-	-
Parks and recreation	592,552	-	-
Public works	996,291	409,278	-
Capital outlay	338,834	2,138,877	-
Debt service:			
Principal retirement	-	-	5,022,964
Interest and fiscal charges	9,916	-	2,086,196
<b>Total Expenditures</b>	<b>13,060,504</b>	<b>5,570,798</b>	<b>8,228,542</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(125,644)	(4,598,311)	(4,150,847)
<b>Other Financing Sources (Uses):</b>			
Transfers in	7,027,511	573,084	3,547,813
Transfers out	(3,358,287)	(6,398,815)	(573,084)
Refunding debt issued	3,455,000	-	-
Refunding debt issuance costs	(78,726)	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>7,045,498</b>	<b>(5,825,731)</b>	<b>2,974,729</b>
Net Change in Fund Balances	6,919,854	(10,424,042)	(1,176,118)
Fund Balances, Beginning of Year, as previously reported	5,191,562	28,694,680	2,201,516
Restatements	-	(3,704,781)	-
Fund Balances, Beginning of Year, as restated	5,191,562	24,989,899	2,201,516
<b>Fund Balances, End of Year</b>	<b>\$ 12,111,416</b>	<b>\$ 14,565,857</b>	<b>\$ 1,025,398</b>

**CITY OF BANNING**

**STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2011**

	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>		
Taxes	\$ 757,383	\$ 12,804,034
Licenses and permits	-	162,683
Intergovernmental	2,361,341	3,663,222
Charges for services	301	2,983,132
Use of money and property	37,178	764,035
Fines and forfeitures	-	404,274
Miscellaneous	44,864	404,729
<b>Total Revenues</b>	<b>3,201,067</b>	<b>21,186,109</b>
<b>Expenditures:</b>		
Current:		
General government	-	6,216,291
Public safety	479,221	9,527,866
Parks and recreation	40,307	632,859
Public works	910,955	2,316,524
Capital outlay	1,704,514	4,182,225
Debt service:		
Principal retirement	-	5,022,964
Interest and fiscal charges	-	2,096,112
<b>Total Expenditures</b>	<b>3,134,997</b>	<b>29,994,841</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	66,070	(8,808,732)
<b>Other Financing Sources (Uses):</b>		
Transfers in	435,140	11,583,548
Transfers out	(539,615)	(10,869,801)
Refunding debt issued	-	3,455,000
Refunding debt issuance costs	-	(78,726)
<b>Total Other Financing Sources (Uses)</b>	<b>(104,475)</b>	<b>4,090,021</b>
Net Change in Fund Balances	(38,405)	(4,718,711)
Fund Balances, Beginning of Year, as previously reported	6,191,035	42,278,793
Restatements	-	(3,704,781)
Fund Balances, Beginning of Year, as restated	6,191,035	38,574,012
<b>Fund Balances, End of Year</b>	<b>\$ 6,152,630</b>	<b>\$ 33,855,301</b>

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**CITY OF BANNING****RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2011**

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Net change in fund balances - total governmental funds	\$ (4,718,711)
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.	(1,820,136)
The issuance of long-term debt provides current financial resources to governmental funds while the repayment of the principal reduces long-term debt consumes the current financial resources of governmental funds.	1,478,971
Debt issuance costs are expenditures in governmental funds, but these costs are capitalized on the statement of net assets.	78,726
Accrued interest for long-term liabilities. This is the net change in accrued interest for the current period.	49,434
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.	33,458
Revenues reported as deferred revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity.	3,101,492
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.	101,630
<b>Change in net assets of governmental activities</b>	<b>\$ (1,695,136)</b>

**CITY OF BANNING**

**BUDGETARY COMPARISON STATEMENT**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2011**

				<b>Variance with Final Budget</b>	
	<b>Budget Amounts</b>		<b>Actual Amounts</b>		
	<b>Original</b>	<b>Final</b>			
<b>Budgetary Fund Balance, July 1</b>	<b>\$ 5,191,562</b>	<b>\$ 5,191,562</b>	<b>\$ 5,191,562</b>	<b>\$ -</b>	
<b>Resources (Inflows):</b>					
Taxes:					
Sales and use	1,998,000	2,170,379	2,130,506	(39,873)	
Property	4,161,532	3,987,831	3,852,014	(135,817)	
Franchise	752,450	794,450	800,346	5,896	
Transient occupancy	480,000	480,000	506,074	26,074	
Other	335,020	226,260	358,093	131,833	
Subtotal	<u>7,727,002</u>	<u>7,658,920</u>	<u>7,647,033</u>	<u>(11,887)</u>	
Licenses and permits:					
Building permits	-	55,800	69,105	13,305	
Other permits	62,475	72,665	93,578	20,913	
Subtotal	<u>62,475</u>	<u>128,465</u>	<u>162,683</u>	<u>34,218</u>	
Intergovernmental:					
State motor vehicle in-lieu fees	70,000	70,000	92,958	22,958	
Other intergovernmental revenues	63,400	1,886,276	1,208,923	(677,353)	
Subtotal	<u>133,400</u>	<u>1,956,276</u>	<u>1,301,881</u>	<u>(654,395)</u>	
Charges for services:					
Engineering, police, fire and other fees	324,025	541,198	544,486	3,288	
Recreation fees	68,220	56,820	59,178	2,358	
Interfund charges	2,411,500	2,411,500	2,379,167	(32,333)	
Subtotal	<u>2,803,745</u>	<u>3,009,518</u>	<u>2,982,831</u>	<u>(26,687)</u>	
Use of money and property:					
Interest and rents	79,250	77,224	99,147	21,923	
Subtotal	<u>79,250</u>	<u>77,224</u>	<u>99,147</u>	<u>21,923</u>	
Fines and forfeitures					
Parking fines	9,750	13,000	12,205	(795)	
Court fines and other fines	274,800	400,891	392,069	(8,822)	
Subtotal	<u>284,550</u>	<u>413,891</u>	<u>404,274</u>	<u>(9,617)</u>	
Miscellaneous	225,837	355,761	337,011	(18,750)	
Transfers in	821,000	821,000	7,027,511	6,206,511	
Refunding debt issued	3,455,000	3,455,000	3,455,000	-	
<b>Amounts Available for Appropriation</b>	<b><u>20,783,821</u></b>	<b><u>23,067,617</u></b>	<b><u>28,608,933</u></b>	<b><u>5,541,316</u></b>	

**CITY OF BANNING**

**BUDGETARY COMPARISON STATEMENT**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2011**

	<b>Budget Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Charges to Appropriation (Outflow):</b>				
General government				
City council	147,536	150,018	142,813	7,205
City manager	211,412	224,158	221,373	2,785
Personnel	163,300	183,708	153,151	30,557
City clerk	83,699	86,586	82,395	4,191
Elections	30,200	30,200	21,015	9,185
City attorney	221,000	164,000	215,680	(51,680)
Finance	169,156	215,150	137,134	78,016
Community enhancement	22,000	78,452	76,291	2,161
Central services	1,065,593	1,065,593	1,024,414	41,179
Subtotal	2,113,896	2,197,865	2,074,266	123,599
Public safety				
Police	6,237,532	7,030,258	6,678,772	351,486
Animal control	342,000	142,000	114,979	27,021
Fire	2,407,790	2,988,751	2,254,894	733,857
Subtotal	8,987,322	10,161,009	9,048,645	1,112,364
Parks and recreation				
Parks	284,574	286,733	269,999	16,734
Recreation	314,541	322,322	322,553	(231)
Subtotal	599,115	609,055	592,552	16,503
Public works				
Building safety	216,670	324,388	321,192	3,196
Planning	240,983	389,251	288,689	100,562
Engineering	215,295	270,672	192,933	77,739
Building maintenance	178,053	216,206	193,477	22,729
Subtotal	851,001	1,200,517	996,291	204,226
Capital outlay	-	700,177	338,834	361,343
Debt service:				
Interest and fiscal charges	-	-	9,916	(9,916)
Transfers out	254,735	257,513	3,358,287	(3,100,774)
Refunding debt issuance costs	-	78,726	78,726	-
<b>Total Charges to Appropriations</b>	<b>12,806,069</b>	<b>15,204,862</b>	<b>16,497,517</b>	<b>(1,292,655)</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 7,977,752</b>	<b>\$ 7,862,755</b>	<b>\$ 12,111,416</b>	<b>\$ 4,248,661</b>

CITY OF BANNING

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2011

	Business-Type Activities - Enterprise Funds			
	Banning Utility		Banning Utility	
	Authority Water	Electric Utility	Authority	Wastewater
<b>Assets:</b>				
Current:				
Pooled cash and investments	\$ 9,349,753	\$ 20,484,673	\$ 13,388,647	
Receivables:				
Accounts	1,183,124	3,517,192	374,690	
Loans	5,438	5,987	1,491	
Interest	15,662	35,298	23,865	
Due from other governments	127,236	10,932	-	
Due from other funds	-	-	952,391	
Inventories	397,322	1,515,949	-	
Deposits with other agencies	-	819,966	-	
Restricted:				
Cash and investments	-	1,459,463	-	
Cash with fiscal agent	4,759,724	18,307,125	3,754,996	
<b>Total Current Assets</b>	<b>15,838,259</b>	<b>46,156,585</b>	<b>18,496,080</b>	
Noncurrent:				
Unamortized debt issuance costs	769,358	717,495	244,900	
Advances to other funds	2,421,000	5,149,642	-	
Capital assets - net of accumulated depreciation	49,737,146	38,437,335	16,252,871	
<b>Total Noncurrent Assets</b>	<b>52,927,504</b>	<b>44,304,472</b>	<b>16,497,771</b>	
<b>Total Assets</b>	<b>\$ 68,765,763</b>	<b>\$ 90,461,057</b>	<b>\$ 34,993,851</b>	
<b>Liabilities and Net Assets:</b>				
<b>Liabilities:</b>				
Current:				
Accounts payable	\$ 402,128	\$ 1,715,727	\$ 147,370	
Accrued liabilities	80,738	161,506	33,401	
Accrued interest	265,790	154,520	88,960	
Unearned revenues	-	-	-	
Deposits payable	158,063	348,121	84,631	
Compensated absences	37,081	14,078	26,739	
Claims and judgments	-	-	-	
Bonds, notes, and capital leases	715,000	815,000	370,403	
<b>Total Current Liabilities</b>	<b>1,658,800</b>	<b>3,208,952</b>	<b>751,504</b>	
Noncurrent:				
Compensated absences	96,232	263,925	76,025	
Claims and judgments	-	-	-	
Bonds, notes, and capital leases	32,391,906	37,528,505	7,793,726	
<b>Total Noncurrent Liabilities</b>	<b>32,488,138</b>	<b>37,792,430</b>	<b>7,869,751</b>	
<b>Total Liabilities</b>	<b>34,146,938</b>	<b>41,001,382</b>	<b>8,621,255</b>	
<b>Net Assets:</b>				
Invested in capital assets, net of related debt	21,389,964	18,400,955	11,843,738	
Restricted for capital projects	2,090,982	15,375,500	3,687,483	
Restricted for debt service	2,668,742	2,931,625	67,513	
Unrestricted	8,469,137	12,751,595	10,773,862	
<b>Total Net Assets</b>	<b>34,618,825</b>	<b>49,459,675</b>	<b>26,372,596</b>	
<b>Total Liabilities and Net Assets</b>	<b>\$ 68,765,763</b>	<b>\$ 90,461,057</b>	<b>\$ 34,993,851</b>	

Reconciliation of Net Assets to the Statement of Net Assets

Net Assets per Statement of Net Assets - Proprietary Funds  
Prior years' accumulated adjustment to reflect the consolidation of internal service 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, 2011

	Business-Type Activities - Enterprise Funds		Governmental Activities-Internal Service Funds	
	Other Enterprise Funds	Totals		
<b>Assets:</b>				
Current:				
Pooled cash and investments	\$ 696,696	\$ 43,919,769	\$ 3,354,008	
Receivables:				
Accounts	421,476	5,496,482	54,360	
Loans	963	13,879	4,326	
Interest	1,273	76,098	2,450	
Due from other governments	252,203	390,371	-	
Due from other funds	-	952,391	-	
Inventories	15,854	1,929,125	63,736	
Deposits with other agencies	-	819,966	-	
Restricted:				
Cash and investments	-	1,459,463	-	
Cash with fiscal agent	-	26,821,845	-	
<b>Total Current Assets</b>	<b>1,388,465</b>	<b>81,879,389</b>	<b>3,478,880</b>	
Noncurrent:				
Unamortized debt issuance costs	-	1,731,753	-	
Advances to other funds	-	7,570,642	-	
Capital assets - net of accumulated depreciation	3,867,973	108,295,325	410,607	
<b>Total Noncurrent Assets</b>	<b>3,867,973</b>	<b>117,597,720</b>	<b>410,607</b>	
<b>Total Assets</b>	<b>\$ 5,256,438</b>	<b>\$ 199,477,109</b>	<b>\$ 3,889,487</b>	
<b>Liabilities and Net Assets:</b>				
<b>Liabilities:</b>				
Current:				
Accounts payable	\$ 494,791	\$ 2,760,016	\$ 101,143	
Accrued liabilities	60,822	336,467	99,017	
Accrued interest	-	509,270	-	
Unearned revenues	97,612	97,612	-	
Deposits payable	110,722	701,537	928	
Compensated absences	20,799	98,697	62,590	
Claims and judgments	-	-	330,040	
Bonds, notes, and capital leases	-	1,900,403	-	
<b>Total Current Liabilities</b>	<b>784,746</b>	<b>6,404,002</b>	<b>593,718</b>	
Noncurrent:				
Compensated absences	117,290	553,472	102,892	
Claims and judgments	-	-	596,550	
Bonds, notes, and capital leases	-	77,714,137	-	
<b>Total Noncurrent Liabilities</b>	<b>117,290</b>	<b>78,267,609</b>	<b>699,442</b>	
<b>Total Liabilities</b>	<b>902,036</b>	<b>84,671,611</b>	<b>1,293,160</b>	
<b>Net Assets:</b>				
Invested in capital assets, net of related debt	3,867,973	55,502,630	410,607	
Restricted for capital projects	-	21,153,965	-	
Restricted for debt service	-	5,667,880	-	
Unrestricted	486,429	32,481,023	2,185,720	
<b>Total Net Assets</b>	<b>4,354,402</b>	<b>114,805,498</b>	<b>2,596,327</b>	
<b>Total Liabilities and Net Assets</b>	<b>\$ 5,256,438</b>	<b>\$ 199,477,109</b>	<b>\$ 3,889,487</b>	
		\$ 114,805,498		
		373,035		
		(518,568)		
		<b>\$ 114,659,965</b>		

CITY OF BANNING

STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2011

	Business-Type Activities - Enterprise Funds		
	Banning Utility Authority Water	Electric Utility	Banning Utility Authority Wastewater
<b>Operating Revenues:</b>			
Sales and service charges	\$ 7,463,052	\$ 27,877,624	\$ 2,818,690
Connection fees	275	266	-
<b>Total Operating Revenues</b>	<b>7,463,327</b>	<b>27,877,890</b>	<b>2,818,690</b>
<b>Operating Expenses:</b>			
Salaries and benefits	1,428,519	2,774,926	594,236
Supplies and services	2,799,902	5,085,508	1,146,918
Repairs and maintenance	16,875	35,442	5,731
Street lighting costs	-	159,486	-
Power purchased	-	18,536,737	-
Bad debt expense	170,247	477,493	53,823
Insurance premiums	-	-	-
Depreciation expense	1,357,199	1,389,097	676,757
<b>Total Operating Expenses</b>	<b>5,772,742</b>	<b>28,458,689</b>	<b>2,477,465</b>
Operating Income (Loss)	1,690,585	(580,799)	341,225
<b>Nonoperating Revenues (Expenses):</b>			
Intergovernmental	127,236	10,932	-
Interest revenue	62,475	318,044	91,429
Interest expense	(1,584,738)	(1,898,161)	(332,182)
Miscellaneous	69,987	172,618	1,046,123
Amortization of bond costs	(43,402)	-	(44,743)
Gain (loss) on disposal of capital assets	-	-	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(1,368,442)</b>	<b>(1,396,567)</b>	<b>760,627</b>
Income (Loss) Before Transfers	322,143	(1,977,366)	1,101,852
Transfers in	-	-	-
Transfers out	(488,000)	-	(181,000)
Changes in Net Assets	(165,857)	(1,977,366)	920,852
<b>Net Assets:</b>			
Beginning of Year	34,784,682	51,437,041	25,451,744
<b>End of Fiscal Year</b>	<b>\$ 34,618,825</b>	<b>\$ 49,459,675</b>	<b>\$ 26,372,596</b>

**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, 2011

	Other Enterprise Funds	Totals	Governmental Activities- Internal Service Funds
<b>Operating Revenues:</b>			
Sales and service charges	\$ 3,356,081	\$ 41,515,447	\$ 4,066,194
Connection fees	-	541	-
<b>Total Operating Revenues</b>	<b>3,356,081</b>	<b>41,515,988</b>	<b>4,066,194</b>
<b>Operating Expenses:</b>			
Salaries and benefits	1,027,478	5,825,159	1,603,973
Supplies and services	3,445,365	12,477,693	1,838,669
Repairs and maintenance	6,517	64,565	200,698
Street lighting costs	-	159,486	-
Power purchased	-	18,536,737	-
Bad debt expense	60,193	761,756	-
Insurance premiums	-	-	977,531
Depreciation expense	298,888	3,721,941	53,200
<b>Total Operating Expenses</b>	<b>4,838,441</b>	<b>41,547,337</b>	<b>4,674,071</b>
Operating Income (Loss)	(1,482,360)	(31,349)	(607,877)
<b>Nonoperating Revenues (Expenses):</b>			
Intergovernmental	2,454,814	2,592,982	-
Interest revenue	5,068	477,016	28,237
Interest expense	-	(3,815,081)	-
Miscellaneous	22,387	1,311,115	162,814
Amortization of bond costs	-	(88,145)	-
Gain (loss) on disposal of capital assets	-	-	463
<b>Total Nonoperating Revenues (Expenses)</b>	<b>2,482,269</b>	<b>477,887</b>	<b>191,514</b>
Income (Loss) Before Transfers	999,909	446,538	(416,363)
Transfers in	10,828	10,828	-
Transfers out	(55,000)	(724,000)	(575)
Changes in Net Assets	955,737	(266,634)	(416,938)
<b>Net Assets:</b>			
Beginning of Year	3,398,665	115,072,132	3,013,265
<b>End of Fiscal Year</b>	<b>\$ 4,354,402</b>	<b>\$ 114,805,498</b>	<b>\$ 2,596,327</b>
		\$ (266,634)	
		(518,568)	
		<b>\$ (785,202)</b>	

CITY OF BANNING

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2011

	Business-Type Activities - Enterprise Funds		
	Banning Utility Authority Water	Electric Utility	Banning Utility Authority Wastewater
<b>Cash Flows from Operating Activities:</b>			
Cash received from customers and users	\$ 7,423,180	\$ 28,617,129	\$ 2,847,546
Cash received from/(paid to) interfund service provided	-	-	-
Cash paid to suppliers for goods and services	(4,338,148)	(23,890,019)	(1,183,425)
Cash paid to employees for services	(1,380,431)	(2,700,124)	(575,603)
Cash received from (payments to) others	-	-	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>1,704,601</b>	<b>2,026,986</b>	<b>1,088,518</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Cash transfers out	(488,000)	-	(181,000)
Cash transfers in	-	-	-
Payment made to other funds	-	-	(652,700)
Advance from other funds	-	72,396	-
Intergovernmental	-	-	-
Miscellaneous	69,987	172,618	1,046,123
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<b>(418,013)</b>	<b>245,014</b>	<b>212,423</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisition and construction of capital assets	(68,661)	(672,633)	(353,308)
Principal paid on capital debt	(697,158)	(6,494,990)	(464,690)
Interest paid on capital debt	(1,601,303)	(1,897,244)	(372,452)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(2,367,122)</b>	<b>(9,064,867)</b>	<b>(1,190,450)</b>
<b>Cash Flows from Investing Activities:</b>			
Interest received	67,687	330,022	95,971
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>67,687</b>	<b>330,022</b>	<b>95,971</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(1,012,847)</b>	<b>(6,462,845)</b>	<b>206,462</b>
Cash and Cash Equivalents at Beginning of Year	15,122,324	46,714,106	16,937,181
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 14,109,477</b>	<b>\$ 40,251,261</b>	<b>\$ 17,143,643</b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	\$ 1,690,585	\$ (580,799)	\$ 341,225
<b>Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:</b>			
Depreciation	1,357,199	1,389,097	676,757
(Increase) decrease in accounts receivable	(40,147)	739,239	28,856
(Increase) decrease in loans receivable	(2,840)	(935)	(658)
(Increase) decrease in inventories	1,821	220,801	-
(Increase) decrease in deposits with other agencies	-	74,143	-
Increase (decrease) in accounts payable	(1,377,255)	111,207	16,849
Increase (decrease) in accrued liabilities	30,158	57,094	11,434
Increase (decrease) in deposits payable	27,150	(569)	6,856
Increase (decrease) in unearned revenue	-	-	-
Increase (decrease) in claims and judgments	-	-	-
Increase (decrease) in compensated absences	17,930	17,708	7,199
<b>Total Adjustments</b>	<b>14,016</b>	<b>2,607,785</b>	<b>747,293</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 1,704,601</b>	<b>\$ 2,026,986</b>	<b>\$ 1,088,518</b>
<b>Non-Cash Investing, Capital, and Financing Activities:</b>			
Bad debt expense	\$ (170,247)	\$ (477,493)	\$ (53,823)
Amortization of bond costs	(43,402)	-	(44,743)

CITY OF BANNING

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2011

	Other Enterprise Funds	Totals	Governmental Activities- Internal Service Funds
<b>Cash Flows from Operating Activities:</b>			
Cash received from customers and users	\$ 3,390,871	\$ 42,278,726	\$ -
Cash received from/(paid to) interfund service provided	-	-	4,055,332
Cash paid to suppliers for goods and services	(3,512,474)	(32,924,066)	(2,080,171)
Cash paid to employees for services	(961,625)	(5,617,783)	(1,489,180)
Cash received from (payments to) others	-	-	(954,929)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(1,083,228)</b>	<b>3,736,877</b>	<b>(468,948)</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Cash transfers out	(55,000)	(724,000)	(575)
Cash transfers in	10,828	10,828	-
Payment made to other funds	-	(652,700)	-
Advance from other funds	-	72,396	-
Intergovernmental	1,438,330	1,438,330	460
Miscellaneous	22,385	1,311,113	162,814
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<b>1,416,543</b>	<b>1,455,967</b>	<b>162,699</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisition and construction of capital assets	(1,248,992)	(2,343,594)	(37,480)
Principal paid on capital debt	-	(7,656,838)	-
Interest paid on capital debt	-	(3,870,999)	-
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(1,248,992)</b>	<b>(13,871,431)</b>	<b>(37,480)</b>
<b>Cash Flows from Investing Activities:</b>			
Interest received	7,024	500,704	29,464
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>7,024</b>	<b>500,704</b>	<b>29,464</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(908,653)</b>	<b>(8,177,883)</b>	<b>(314,265)</b>
Cash and Cash Equivalents at Beginning of Year	1,605,349	80,378,960	3,668,273
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 696,696</b>	<b>\$ 72,201,077</b>	<b>\$ 3,354,008</b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	\$ (1,482,360)	\$ (31,349)	\$ (607,877)
<b>Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:</b>			
Depreciation	298,888	3,721,941	53,200
(Increase) decrease in accounts receivable	34,790	762,738	(10,862)
(Increase) decrease in loans receivable	2,930	(1,503)	(3,926)
(Increase) decrease in inventories	19,141	241,763	19,597
(Increase) decrease in deposits with other agencies	-	74,143	(56,475)
Increase (decrease) in accounts payable	(31,748)	(1,280,947)	47,722
Increase (decrease) in accrued liabilities	23,551	122,237	-
Increase (decrease) in deposits payable	9,278	42,715	-
Increase (decrease) in unearned revenue	-	-	22,602
Increase (decrease) in claims and judgments	42,302	42,302	67,071
Increase (decrease) in compensated absences	-	42,837	-
<b>Total Adjustments</b>	<b>399,132</b>	<b>3,768,226</b>	<b>138,929</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ (1,083,228)</b>	<b>\$ 3,736,877</b>	<b>\$ (468,948)</b>
<b>Non-Cash Investing, Capital, and Financing Activities:</b>			
Bad debt expense	\$ -	\$ (701,563)	\$ -
Amortization of bond costs	(60,193)	(148,338)	-

**CITY OF BANNING****STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2011**

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	<b>Agency Funds</b>
<b>Assets:</b>	
Pooled cash and investments	\$ 434,532
Receivables:	
Interest	567
Due from other governments	10,541
Restricted assets:	
Cash and investments with fiscal agents	<u>597,444</u>
<b>Total Assets</b>	<b><u>\$ 1,043,084</u></b>
 <b>Liabilities:</b>	
Accounts payable	\$ 651
Deposits payable	61,587
Due to bondholders	<u>980,846</u>
<b>Total Liabilities</b>	<b><u>\$ 1,043,084</u></b>

## CITY OF BANNING

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

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#### I. SIGNIFICANT ACCOUNTING POLICIES

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

###### **a. Description of the Reporting Entity**

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

###### **Blended Component Units**

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

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

The City of Banning Financing Authority (the Authority) was formed by a joint exercise of powers agreement between the City of Banning and the Banning Redevelopment Agency. It was established November 12, 2003 under Article 1 (commencing with Section 6500) of the Joint Powers Law of the State of California for the purpose of providing an entity to assist in providing financing for the City and the Agency. 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, 2011

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

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

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

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. 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, 2011

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

The City reports the following major governmental funds:

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

The City reports the following major proprietary funds:

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

Additionally, the City reports the following fund types:

- Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- Internal Service Funds are used to account for the financing of goods or services provided by one department or agency for other departments or agencies of the City, or to other governments, on a cost reimbursement basis.
- The Agency Funds are used to report resources held by the City in a purely custodial capacity, which involves only the receipt, temporary investment and remittance of fiduciary resources to individuals, private organizations or other governments. The City's agency funds account for assessments levied for debt service on bond issues which are not a debt of the City.

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

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

## CITY OF BANNING

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2011

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

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

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

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

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

##### Deposits and Investments and Cash and Cash Equivalents

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

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

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

##### Receivables and Payables

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

## CITY OF BANNING

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2011

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

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

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

The noncurrent portion of receivables related to revenue is set up as deferred revenue and recognized as revenue when the receivables become current. The noncurrent portion of loans and other receivables are offset by fund balance reserve accounts. Property tax revenue is recognized in the fiscal year for which the taxes have been levied providing they become available. Property taxes in the State of California are administered for all local agencies at the county level and consist of secured, unsecured and utility tax rolls. The following is a summary of major policies and practices relating to property taxes:

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

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

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

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

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

## CITY OF BANNING

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2011

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#### 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 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.

## CITY OF BANNING

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2011

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

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

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

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

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

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

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

## CITY OF BANNING

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2011

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

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

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

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

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

#### Claims and Judgments

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

#### Long-Term Obligations

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

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

## CITY OF BANNING

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2011

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

##### 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.

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 - the City has established a stabilization arrangement through Resolution No. 2011-56. 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 in Resolution No. 2011-57.

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.

#### e. Reconciliation of Government-Wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between fund balance - governmental funds and net assets of governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term debt has not been included in the governmental fund activity." The detail of the \$(44,607,463) difference is as follows:

**CITY OF BANNING****NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011****Note 1: Organization and Summary of Significant Accounting Policies (Continued)**

Long-term debt:	
Tax allocation bonds payable	\$ (40,780,000)
Refunding lease payable	(3,455,000)
Unamortized original issue discount	761,139
Loans payable	<u>(1,133,602)</u>
Net adjustment to reduce fund balance of total governmental funds to arrive at net assets of governmental activities	<u>\$ (44,607,463)</u>

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

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains, "Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The detail of this \$(1,820,136) difference is as follows:

Capital outlay	\$ 4,194,816
Less: depreciation expense	<u>(6,014,952)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (1,820,136)</u>

Another element of that reconciliation states that "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds." Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The details of this \$1,478,971 difference are as follows:

Debt issued or incurred:	
Refunding lease payable	\$ (3,455,000)
Principal repayments:	
Certificates of participation	4,210,000
Tax allocation bonds	775,000
Loan payable	37,964
Amortization of original issue discount	(30,236)
Amortization of bond issuance costs	<u>(58,757)</u>
Net adjustment to decrease net changes in fund balance of total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 1,478,971</u>

## CITY OF BANNING

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2011

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## 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).

#### b. The following fund contained a deficit fund balance:

Fund	Amount
Community Development Block Grant	\$ (5,274)

## III. DETAILED NOTES ON ALL FUNDS

### Note 3: Cash and Investments

As of June 30, 2011, cash and investments were reported in the accompanying financial statements as follows:

Governmental activities	\$ 39,502,164
Business-type activities	72,201,077
Fiduciary funds	1,031,976
<b>Total Cash and Investments</b>	<b>\$ 112,735,217</b>

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.

## CITY OF BANNING

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2011

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

##### Deposits

At June 30, 2011, the carrying amount of the City's deposits was \$7,404,324, and the bank balance was \$8,464,522. The \$1,060,198 difference represents outstanding checks and other reconciling items.

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

##### Investments

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

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

##### 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.

## CITY OF BANNING

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2011

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

##### 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, 2011, the City's investments in Federal Agency Securities consisted of investments in Federal Home Loan Bank Bonds, Federal Home Loan Mortgage Corporation Notes and Federal National Mortgage Corporation. At June 30, 2011, all Federal Agency Securities were rated "AAA" by Standard & Poor's. All securities were investment grade and were legal under State and City law. As of June 30, 2011, the City's investments in external investment pools are unrated.

On August 5, 2011, Standard & Poor's Ratings Services lowered its long-term sovereign credit rating on the United States of America to AA+ from AAA. As a result, on August 8, 2011, Standard & Poor's Ratings Services lowered its issuer credit ratings and related issue ratings on various Federal Home Loan Bank, Federal Farm Credit Bank, Fannie Mae and Freddie Mac to AA+ from AAA. In addition, the ratings on 126 Federal Deposit Insurance Corp.-guaranteed debt issues from 30 financial institutions under the Temporary Liquidity Guarantee Program (TLGP), and four National Credit Union Association-guaranteed debt issues from two corporate credit unions under the Temporary Corporate Credit Union Guarantee Program (TCCUGP) have also been downgraded to AA+ from AAA. The City also invests in LAIF which invests in various underlying securities, including the federal agency securities listed above. While LAIF is not rated, the federal agency securities are, and these have been affected by this rating change as well.

##### 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, 2011, none of the City's deposits or investments was exposed to custodial credit risk.

**CITY OF BANNING****NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011****Note 3: Cash and Investments (Continued)****Concentration of Credit Risk**

The City's investment policy imposes restrictions on the percentage that the City can invest in certain types of investments. As of June 30, 2011, in accordance with GASB 40 requirements, the City has invested 9% of its total investments Federal Home Loan Bank. Investments guaranteed by the U.S. government and investments in mutual funds and external investment pools are excluded from this requirement.

**Interest Rate Risk**

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

As of June 30, 2011, the City had the following investments and maturities:

Investment Type	Remaining Investment Maturity				Fair Value
	6 months or less	6 months to 1 year	1 to 3 years	More than 5 years	
Federal Agency Securities	\$ -	\$ -	\$ 14,034,368	\$ -	\$ 14,034,368
Local Agency Investment Fund	33,964,955	-	-	-	33,964,955
Money Market	11,527,493	-	-	-	11,527,493
Cash with Fiscal Agents:					
Money Market	44,812,087	-	-	-	44,812,087
U.S Treasury Note	991,990	-	-	-	991,990
Total	\$ 91,296,525	\$ -	\$ 14,034,368	\$ -	\$ 105,330,893

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

The composition of interfund balances as of June 30, 2011, is as follows:

**Due To/From Other Funds**

Funds	Due To Other Funds		
	RDA Capital Projects	Nonmajor Governmental Funds	Total
Due From Other Funds:			
General Fund	\$ 1,095,300	\$ 1,422,100	\$ 2,517,400
BUA Wastewater Fund	-	952,391	952,391
Total	\$ 1,095,300	\$ 2,374,491	\$ 3,469,791

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

## CITY OF BANNING

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2011

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

##### Advances To/From Other Funds

Funds	Advances to Other Funds				Total
	RDA Capital Project Fund	BUA Water Fund	Electric Utility		
Advances from Other Funds:					
General Fund	\$ -	\$ -	\$ 395,118	\$ 395,118	
RDA Capital Project	-	2,421,000	4,579,000	7,000,000	
RDA Debt Service	2,298,433	-	175,524	2,473,957	
Total	<u>\$ 2,298,433</u>	<u>\$ 2,421,000</u>	<u>\$ 5,149,642</u>	<u>\$ 9,869,075</u>	

During the current and previous fiscal years, the Electric Utility Fund has made loans to the RDA Debt Service Fund and 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, 2011, loans to and accrued unpaid interest owed on those loans was \$570,642.

During the current fiscal year, the RDA Capital Project Fund made a loan to the RDA Debt Service Fund for \$2,298,433 to make the 2009-2010 and 2010-2011 SERAF payment that was due on May 10, 2010 and 2011, respectively. The loans are to be repaid within 5 years, based on legislation that was passed.

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

##### Interfund Transfers

Funds	Transfers In:					Totals
	General Fund	RDA Capital Projects	RDA Debt Service	Nonmajor Governmental Funds	Nonmajor Proprietary Funds	
Transfers Out:						
General Fund	\$ -	\$ -	\$ 3,355,509	\$ 2,778	\$ -	\$ 3,358,287
RDA Capital Projects	6,206,511	-	192,304	-	-	6,398,815
RDA Debt Service	-	573,084	-	-	-	573,084
Nonmajor Governmental Funds	170,000	-	-	358,787	10,828	539,615
BUA Water Fund	470,000	-	-	18,000	-	488,000
BUA Wastewater Fund	181,000	-	-	-	-	181,000
Nonmajor Proprietary Funds	-	-	-	55,000	-	55,000
Internal Service Funds	-	-	-	575	-	575
Totals	<u>\$ 7,027,511</u>	<u>\$ 573,084</u>	<u>\$ 3,547,813</u>	<u>\$ 435,140</u>	<u>\$ 10,828</u>	<u>\$ 11,594,376</u>

## CITY OF BANNING

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2011

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

During the year, certain funds made payments to the General Fund for project costs and to reimburse expenditures made by the General Fund on behalf of the other funds. These transfers to the General Fund for the year were \$3,672,002. In addition, the RDA Debt Service Fund transferred \$3,355,509 to the General Fund for the proceeds and debt service payments of the 2011 Refunding Lease Bonds.

Amounts were transferred from the RDA Capital Projects Fund to the RDA Debt Service Fund for the Low and Moderate Housing portion of debt service totaling \$573,084. In addition, \$192,304 was transferred from the RDA Debt Service Fund to the RDA Capital Projects Fund to provide funding for capital projects.

Transfers out of the General, Water, Nonmajor Governmental Funds, the BUA Water Fund, Nonmajor Proprietary and Internal Service 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, 2011, is as follows:

	Beginning Balance	Adjustments*	Adjusted Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Governmental Activities:</b>							
Capital assets, not being depreciated:							
Land	\$ 3,093,600	\$ 3,223,720	\$ 6,317,320	\$ 27,850	\$ -	\$ -	\$ 6,345,170
Construction-in-progress	1,502,911	-	1,502,911	3,861,455	-	(1,863,344)	3,501,022
Total Capital Assets, Not Being Depreciated	4,596,511	3,223,720	7,820,231	3,889,305	-	(1,863,344)	9,846,192
Capital assets, being depreciated:							
Buildings and structures	26,012,439	481,061	26,493,500	-	-	162,816	26,656,316
Land improvements	8,116,669	-	8,116,669	-	-	-	8,116,669
Machinery and equipment	5,194,407	(9,296)	5,185,111	343,454	-	-	5,528,565
Vehicles	4,177,506	29,296	4,206,802	-	18,000	-	4,188,802
Infrastructure	112,486,180	-	112,486,180	-	-	1,700,528	114,186,708
Total Capital Assets, Being Depreciated	155,987,201	501,061	156,488,262	343,454	18,000	1,863,344	158,677,060
Less accumulated depreciation:							
Buildings and structures	9,191,583	545	9,192,128	1,101,086	-	-	10,293,214
Land improvements	2,273,692	23,003	2,296,695	384,021	-	-	2,680,716
Machinery and equipment	3,532,209	(9,286)	3,522,923	380,822	-	-	3,903,745
Vehicles	3,084,234	5,738	3,089,972	422,103	18,000	-	3,494,075
Infrastructure	38,234,223	-	38,234,223	3,780,119	-	-	42,014,342
Total Accumulated Depreciation	56,315,941	20,000	56,335,941	6,068,151	18,000	-	62,386,092
Total Capital Assets, Being Depreciated, Net	99,671,260	481,061	100,152,321	(5,724,697)	-	1,863,344	96,290,968
Governmental Activities Capital Assets, Net	\$ 104,267,771	\$ 3,704,781	\$ 107,972,552	\$ (1,835,392)	\$ -	\$ -	\$ 106,137,160

\* Adjustments are as follows:

Land held for resale for \$3,704,781 was transferred from RDA Capital Projects Fund to capitalized land being held with the City at the government-wide level. The result of this transfer is a fund balance restatement, see Note 15.

**CITY OF BANNING**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011**

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

Depreciation expense was charged to governmental functions as follows:

Governmental Activities:					
General government				\$ 222,170	
Public safety				957,407	
Public works				433,608	
Parks and recreation				4,401,766	
Internal service funds				53,200	
Total Depreciation Expense - Governmental Activities					
				<u>\$ 6,068,151</u>	

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-Type Activities:					
Capital assets, not being depreciated:					
Land	\$ 1,184,229	\$ -	\$ -	\$ -	\$ 1,184,229
Construction-in-progress	1,993,013	1,100,715	-	(482,349)	2,611,379
Total Capital Assets, Not Being Depreciated	<u>3,177,242</u>	<u>1,100,715</u>	<u>-</u>	<u>(482,349)</u>	<u>3,795,608</u>
Capital assets, being depreciated:					
Airport master plan	38,875	-	-	-	38,875
Buildings and structures	519,247	-	-	-	519,247
Land improvements	3,124,853	-	-	-	3,124,853
Machinery and equipment	29,106	-	-	-	29,106
Utility plant	157,247,899	1,242,881	-	482,349	158,973,129
Total Capital Assets, Being Depreciated	<u>160,959,980</u>	<u>1,242,881</u>	<u>-</u>	<u>482,349</u>	<u>162,685,210</u>
Less accumulated depreciation:					
Airport master plan	38,875	-	-	-	38,875
Buildings and structures	372,310	6,553	-	-	378,863
Land improvements	1,152,629	150,340	-	-	1,302,969
Machinery and equipment	19,928	3,935	-	-	23,863
Utility plant	52,879,810	3,561,113	-	-	56,440,923
Total Accumulated Depreciation	<u>54,463,552</u>	<u>3,721,941</u>	<u>-</u>	<u>-</u>	<u>58,185,493</u>
Total Capital Assets, Being Depreciated, Net	<u>106,496,428</u>	<u>(2,479,060)</u>	<u>-</u>	<u>482,349</u>	<u>104,499,717</u>
Business-type Activities					
Capital Assets, Net	<u>\$ 109,673,670</u>	<u>\$ (1,378,345)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 108,295,325</u>

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

Business-Type Activities:					
Banning Utility Authority Water				\$ 1,357,199	
Electric Utility				1,389,097	
Banning Utility Authority Wastewater				676,757	
Airport				156,893	
Transit				138,060	
Refuse Utility				3,935	
Total Depreciation Expense - Business-Type Activities					
				<u>\$ 3,721,941</u>	

**CITY OF BANNING****NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011****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	\$ 1,376,248	\$ (193,124)	\$ 1,183,124
Electric	4,051,539	(534,347)	3,517,192
Wastewater	435,875	(61,185)	374,690
Nonmajor Proprietary Funds	<u>489,902</u>	<u>(68,426)</u>	<u>421,476</u>
	<u>\$ 6,353,564</u>	<u>\$ (857,082)</u>	<u>\$ 5,496,482</u>

**Note 7: Loans Receivable**

The City has entered into various loan agreements relating to owners participation agreements, façade improvement agreements, the first time home buyer loan program, the rehabilitation loan program, and various other loans receivable. The façade improvement agreements have varying repayment terms from three to five years and are all forgivable if certain terms are met. The owners participation agreements have repayment terms between 6 and 55 years. The following summarizes the loans outstanding at June 30, 2011:

<u>Description</u>	<u>Balance at June 30, 2011</u>
Façade improvement loans	\$ 2,596,706
Owners participation loans	4,098,323
Disposition and development agreements	300,000
First time home buyer down payment assistance loans	460,000
Rehabilitation loans	605,290
Other loans	<u>45,893</u>
Total loans receivable at June 30, 2011	<u>\$ 8,106,212</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, 2011, amounted to \$819,966.

## CITY OF BANNING

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2011

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#### Note 9: Long-Term Debt

The following is a summary of the changes in long-term debt for the fiscal year ended June 30, 2011:

	Balance at July 1, 2010	Defeased	Incurred	Retired	Balance at June 30, 2011	Due Within One Year
<b>Governmental Activities:</b>						
1997 Refunding COPs	\$ 4,210,000	\$ -	\$ -	\$ 4,210,000	\$ -	\$ -
2003 Tax Allocation Bonds	11,835,000	-	-	410,000	11,425,000	425,000
2007 Tax Allocation Bonds	29,720,000	-	-	365,000	29,355,000	505,000
2011 Refunding Lease	-		3,455,000	-	3,455,000	307,844
Loans Payable	1,171,566	-	-	37,964	1,133,602	40,021
Compensated Absences						
Governmental Funds	1,102,267	-	194,611	228,069	1,068,809	219,610
Internal Service Funds	98,411	-	108,179	41,108	165,482	62,590
Claims and Judgment	903,988	-	344,591	321,989	926,590	330,040
Total	<u>\$ 49,041,232</u>	<u>\$ -</u>	<u>\$ 4,102,381</u>	<u>\$ 5,614,130</u>	<u>47,529,483</u>	<u>\$ 1,890,105</u>
Less:						
Unamortized original issue discount					<u>(761,139)</u>	
Net Governmental Activities					<u>\$ 46,768,344</u>	
<b>Business-Type Activities:</b>						
Loans Payable	\$ 2,878,883	\$ -	\$ -	\$ 229,438	\$ 2,649,445	\$ 235,403
2005 Water Revenue Bond	32,880,000	-	-	685,000	32,195,000	715,000
2005 Wastewater Revenue Bond	6,100,000	-	-	265,000	5,835,000	135,000
2007 Electric Revenue Bond	44,310,000	(5,775,000)	-	785,000	37,750,000	815,000
Compensated Absences	567,030	-	154,654	69,515	652,169	98,697
Total	<u>\$ 86,735,913</u>	<u>\$ (5,775,000)</u>	<u>\$ 154,654</u>	<u>\$ 2,033,953</u>	<u>79,081,614</u>	<u>\$ 1,999,100</u>
Less:						
Unamortized original issue premium					<u>1,747,048</u>	
Unamortized original issue discount					<u>(103,303)</u>	
Unamortized gain on defeasance					<u>84,584</u>	
Unamortized loss on defeasance					<u>(543,234)</u>	
Net Business-Type Activities					<u>\$ 80,266,709</u>	

#### a. 1997 Refunding Certificates of Participation

On February 21, 1997, the Agency issued \$6,810,000 in Refunding Certificates of Participation with an average interest rate of 4.90% to advance refund \$6,150,000 of outstanding 1990 Certificates of Participation with an average interest rate of 7.01%, the proceeds of which were used to construct the City administration building and certain capital improvements, and acquire related equipment. The 1990 Certificates of Participation were subsequently paid off in 2000.

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

**CITY OF BANNING****NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011**

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

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

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

In May 2011 these bonds were redeemed in full with the issuance of the 2011 Lease Revenue Agreement issued by the City of Banning.

**b. 2003 Tax Allocation Bonds**

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

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

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

A reserve fund was established in the amount of \$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, 2011, totaled \$11,425,000.

Year Ending June 30,	Principal	Interest	Total
2012	\$ 425,000	\$ 536,898	\$ 961,898
2013	440,000	518,195	958,195
2014	460,000	497,995	957,995
2015	480,000	478,895	958,895
2016	500,000	458,370	958,370
2017-2021	2,855,000	1,924,713	4,779,713
2022-2026	3,625,000	1,130,625	4,755,625
2027-2030	2,640,000	202,500	2,842,500
Total	\$ 11,425,000	\$ 5,748,191	\$ 17,173,191

**CITY OF BANNING****NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011**

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

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

The bonds consist of serial bonds maturing in the years 2009 to 2030 payable August 1 in annual installments of \$245,000 to \$1,805,000. The bonds bear interest at 4.0% to 4.25%. Bonds maturing after August 1, 2030, in the amount of \$9,500,000 are term bonds and bear interest at 4.375%. On February 15, 2011 Fitch ratings downgraded its underlying rating on these bonds to "BBB" from "BBB+" due to significant assessed value decline that has narrowed the debt service coverage to low levels. On November 17, 2011, Standard and Poor's rating service downgraded its underlying rating on these bonds to "B+" from "BB-" due to a decline in the assessed valuations in the project area which has resulted in a drop in the debt service coverage.

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, 2011, totaled \$29,355,000.

Year Ending June 30,	Principal	Interest	Total
2012	\$ 505,000	\$ 1,210,516	\$ 1,715,516
2013	570,000	1,189,016	1,759,016
2014	695,000	1,163,716	1,858,716
2015	710,000	1,137,391	1,847,391
2016	750,000	1,111,466	1,861,466
2017-2021	4,185,000	5,107,556	9,292,556
2022-2026	5,085,000	4,185,725	9,270,725
2027-2031	7,355,000	2,947,781	10,302,781
2032-2036	6,940,000	1,345,094	8,285,094
2037-2041	2,560,000	110,031	2,670,031
Total	<u>\$ 29,355,000</u>	<u>\$ 19,508,292</u>	<u>\$ 48,863,292</u>

**d. 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, 2011, the outstanding balance on the refunding lease agreement is \$3,455,000.

**CITY OF BANNING**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011**

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

Year Ending June 30,	Principal	Interest	Total
2012	\$ 307,844	\$ 128,156	\$ 436,000
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
2017-2020	1,788,554	171,701	1,960,255
<b>Total</b>	<b>\$ 3,455,000</b>	<b>\$ 685,255</b>	<b>\$ 4,140,255</b>

**e. 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, 2011, the outstanding balance on the note payable is \$167,505.

Year Ending June 30,	Principal	Interest	Total
2012	\$ 9,643	\$ 10,888	\$ 20,531
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
2017-2021	75,223	27,431	102,654
2022-2026	37,379	3,683	41,062
<b>Total</b>	<b>\$ 167,505</b>	<b>\$ 78,864</b>	<b>\$ 246,369</b>

**f. 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, 2011, the outstanding balance on the note payable is \$966,097.

Year Ending June 30,	Principal	Interest	Total
2012	\$ 30,378	\$ 57,313	\$ 87,691
2013	32,411	55,280	87,691
2014	34,410	53,281	87,691
2015	36,532	51,159	87,691
2016	38,649	49,041	87,690
2017-2021	793,717	4,045	797,762
<b>Total</b>	<b>\$ 966,097</b>	<b>\$ 270,119</b>	<b>\$ 1,236,216</b>

**CITY OF BANNING****NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011**

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

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	\$ 715,000	\$ 1,580,438	\$ 2,295,438
2013	740,000	1,551,338	2,291,338
2014	770,000	1,521,138	2,291,138
2015	805,000	1,487,625	2,292,625
2016	840,000	1,451,675	2,291,675
2017-2021	4,740,000	6,697,450	11,437,450
2022-2026	5,970,000	5,425,169	11,395,169
2027-2031	7,690,000	3,656,100	11,346,100
2032-2036	9,925,000	1,356,469	11,281,469
Total	<u>\$ 32,195,000</u>	<u>\$ 24,727,402</u>	<u>\$ 56,922,402</u>

**h. 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.

**CITY OF BANNING****NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011**

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**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 \$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, 2011, amounted to \$5,835,000.

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

Year Ending June 30,	Principal	Interest	Total
2012	\$ 135,000	\$ 255,753	\$ 390,753
2013	140,000	250,664	390,664
2014	145,000	245,248	390,248
2015	155,000	239,395	394,395
2016	160,000	233,094	393,094
2017-2021	895,000	1,060,624	1,955,624
2022-2026	1,100,000	846,281	1,946,281
2027-2031	1,380,000	564,250	1,944,250
2032-2036	1,725,000	206,391	1,931,391
Total	<u>\$ 5,835,000</u>	<u>\$ 3,901,700</u>	<u>\$ 9,736,700</u>

**i. 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, 2011, was \$2,649,445. The loan is recorded in the BUA Wastewater Utility Enterprise Fund.

Year Ending June 30,	Principal	Interest	Total
2012	\$ 235,403	\$ 68,886	\$ 304,289
2013	241,524	62,765	304,289
2014	247,802	56,485	304,287
2015	254,246	50,043	304,289
2016	260,857	43,432	304,289
2017-2021	1,409,613	111,831	1,521,444
Total	<u>\$ 2,649,445</u>	<u>\$ 393,442</u>	<u>\$ 3,042,887</u>

**CITY OF BANNING****NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011**

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**Note 9: Long-Term Debt (Continued)****j. 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%.

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, 2011, amounted to \$37,750,000. The total debt service payment requirements with respect to the above bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 815,000	\$ 1,854,238	\$ 2,669,238
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
2017-2021	5,635,000	7,708,000	13,343,000
2022-2026	7,205,000	6,149,750	13,354,750
2027-2031	8,945,000	4,243,475	13,188,475
2032-2036	8,030,000	2,043,000	10,073,000
2037-2041	3,485,000	263,500	3,748,500
Total	<u>\$ 37,750,000</u>	<u>\$ 29,305,577</u>	<u>\$ 67,055,577</u>

**k. Debt Service Requirements**

As previously discussed, the Agency has pledged, as security for tax allocation bonds it has issued, either directly or through the Financing Authority, a portion of the tax increment revenue that it receives. These bonds were to provide financing for various capital projects and to defease previously issued bonds. The City has committed to appropriate each year, from these resources amounts sufficient to cover the principal and interest requirements on the debt. Total principal and interest remaining on the debt is \$66,036,483 with annual debt service requirements as indicated above. For the current year, the total tax increment revenue net of pass through payments, recognized by the Agency, including was \$3,714,795, which includes the 20% set-aside amount of \$879,924. The debt service obligation during the year on the bonds was \$2,553,524.

## CITY OF BANNING

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2011

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#### **Note 10: Compensated Absences**

For governmental activities, accumulated vacation, sick leave benefits, holiday and compensatory time payable at June 30, 2011, was \$1,234,291 which includes \$165,482 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 \$652,169.

#### **Note 11: Capitalized Lease Obligation**

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

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

In June 2011, the City issued the 2011 Lease Agreement to provide funding to pay the remaining balance on the lease and to repay the 1997 Refunding Certificates of Participation. The lease obligation between the City and the Agency is considered repaid as of June 30, 2011.

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

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

	Amount of Issue	Outstanding June 30, 2011
AD 91-1 1992	\$ 2,422,134	\$ 470,000
AD 2004-1	2,898,000	2,620,000

**CITY OF BANNING****NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011****Note 13: Single Family Mortgage Revenue Bonds**

The Redevelopment Agency has issued mortgage revenue bonds as follows:

	<u>Outstanding</u> <u>June 30, 2011</u>
Redevelopment Agency of the City of Banning Single Family Residential Mortgage Revenue Refunding Bonds	<u>\$ 220,000</u>

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

**Note 14: Operating Lease**

In December 2005, the Banning Utility Authority entered into an operating lease with the City 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, 2011.

**Note 15: Prior Period Adjustments**

Beginning fund balance has been restated as follows:

Major Governmental Funds:	
Redevelopment Agency Capital Project Fund	
To correctly record land that had been classified as land held for resale to capital land.	\$ (3,736,481)
To correctly record land that had been classified as capital land to land held for resale.	<u>31,700</u>
Total Fund Balance Restatements	<u>\$ (3,704,781)</u>

Beginning net assets has been restated as follows:

Fund balance restatements noted above	\$ (3,704,781)
To correctly adjust capital assets relating to land	<u>3,704,781</u>
Total Net Asset Restatements	<u>\$ -</u>

## CITY OF BANNING

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2011

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

##### a. PERS

###### Miscellaneous Plan

###### Plan Description

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

###### 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, 2011, was 12.848% for miscellaneous employees. Benefit provisions and all other requirements are established by state statute and City contract with employee bargaining groups.

###### Annual Pension Cost and Funding Progress

For the year ended June 30, 2011, the City's annual pension cost (employer contribution) of \$821,715 for miscellaneous employees was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2008, actuarial valuation using the entry age normal actuarial cost method.

###### Three-Year Trend Information for PERS - Miscellaneous Plan

Fiscal Year	Annual Pension Cost (APC)*	Percentage of APC Contributed	Net Pension Obligations
6/30/2009	\$ 1,129,141	100%	\$ -
6/30/2010	861,528	100%	-
6/30/2011	821,715	100%	-

\* Employer contribution

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

**CITY OF BANNING****NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011****Note 16: City Employees Retirement Plan (Defined Benefit Pension Plan) (Continued)**

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

Actuarial Valuation Date	Entry Age		Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a % of Covered Payroll
	Normal Accrued Liability	Actuarial Value of Assets				
6/30/2008	\$ 39,786	\$ 34,269	\$ 5,517	86.1%	\$ 8,136	67.8%
6/30/2009	45,252	36,376	8,876	80.4%	7,505	118.3%
6/30/2010	47,234	37,874	9,360	80.2%	7,082	132.2%

**Safety Plan****Plan Description**

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

**Funding Policy**

Participants are required to contribute 9% of their annual covered salary, which is paid by the City per MOU agreements. The City is required to contribute at an actuarially determined rate calculated as a percentage of covered payroll. The employer contribution rate for the year ended June 30, 2011, was 30.82% for safety employees. Benefit provisions and all other requirements are established by State statute and City contract with employee bargaining groups.

**Annual Pension Cost**

For the year ended June 30, 2011, the City's annual pension cost (employer contribution) of \$808,988 for safety employees was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2008, 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
6/30/2009	\$ 953,866	100%	\$ -
6/30/2010	838,611	100%	-
6/30/2011	808,988	100%	-

\* Employer contribution

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

## CITY OF BANNING

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2011

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

##### **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.

###### **Annual Contributions**

The amount of employee contributions was \$9,082 (7.3% of covered payroll). Total payroll for employees covered under this plan for the year was \$122,913.

#### **Note 17: Deferred Compensation Plan**

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

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

The City has no liability for losses under the plan.

#### **Note 18: Insurance Programs**

The City maintains self-insurance programs for workers' compensation and general liability. For general liability claims, the City is at risk for up to \$50,000 per occurrence; amounts in excess of \$50,000 up to \$50,000,000 are covered through the Public Entity Risk Management Authority (PERMA) 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.

## CITY OF BANNING

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2011

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

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

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

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. At June 30, 2011, the amount of these liabilities was \$926,590. The amount represents an estimate of \$686,620 for reported claims through June 30, 2011, and \$239,970 of estimate incurred but not reported claims. This liability is the City's best estimate based on available information. There are no significant reductions in insurance coverages from prior years and, also, there have been no settlements exceeding the insurance coverages for each of the past three fiscal years.

Changes in the reported liability since June 30, 2011, 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	
2010	\$ 727,682	\$ 627,908	\$ 451,602	\$ 903,988
2011	903,988	344,591	321,989	926,590

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 19: Contingencies

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

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

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

## CITY OF BANNING

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2011

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#### Note 20: Commitments

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

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

The revenue generated by SCPPA from each participant will be used to service the debt on the Power Project Revenue Bonds issued by SCPPA in the amount of \$2,173,447,000. The City's portion of the outstanding debt of SCPPA as of June 30, 2011, was \$14,072,348.

Summary financial information (audited) of SCPPA for the fiscal year ended June 30, 2011, follows:

	Amounts (in thousands)
Total Assets	\$ 3,677,071
Total Liabilities	<u>3,804,150</u>
Total Net Assets	<u>\$ (127,079)</u>
Beginning Net Assets	\$ (132,506)
Total Revenues (including investment)	623,265
Total Expenses (including debt and loss on refunding)	(617,700)
Net Contributions by Participants	<u>(138)</u>
Ending Net Assets	<u>\$ (127,079)</u>

Separate audited financial statements for SCPPA are available from SCPPA.

#### Note 21: SERAF Shift for fiscal year 2010-2011

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

The payment of the SERAF was due on May 10, 2010 for fiscal year 2009-2010 and it was made in the amount of \$1,906,018. The payment of the SERAF was due on May 10, 2011 for fiscal year 2010-2011 and it was made in the amount of \$392,415. The legislation allowed this payment to be made from any available monies present in any project area(s). Subsequent legislation was passed which even allowed the funding for this payment to be borrowed from the Low and Moderate Income Housing Fund with appropriate findings from its legislative body. Any amounts borrowed from Low and Moderate Income Housing (including any suspended set-aside amounts) are to be repaid within 5 fiscal years from the

## CITY OF BANNING

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2011

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#### **Note 21: SERAF Shift for fiscal year 2010-2011 (Continued)**

borrowing date. If those amounts are not repaid, by that date, then the set-aside percentage to Low and Moderate Income Housing will increase from 20% to 25% for the remainder of the life of the Agency.

To accomplish these payments, the Agency borrowed a total of \$2,298,433 from the Low and Moderate Income Housing Fund, which is included in the RDA Capital Projects Fund (after adopting appropriate findings of necessity). Borrowings and/or suspended set-aside amounts relating to the Low and Moderate Income Housing Fund have been reflected as inter-fund advances between the accounting funds of the Agency.

#### **Note 22: California Redevelopment Agency Dissolution**

On July 18, 2011, the California Redevelopment Association (“CRA”) and the League of California Cities (“League”) filed a petition for writ of mandate with the California Supreme Court, requesting the Court to declare unconstitutional two bills that were passed as part of the 2011-12 State Budget, ABX1 26 and 27 (*California Redevelopment Association v. Matosantos*). ABX1 26 dissolves redevelopment agencies effective October 1, 2011. ABX1 27 gave redevelopment agencies an option to avoid dissolution if it commits to making defined payments for the benefit of the State, school districts and certain special districts. In 2011-12, these payments amounted to a state-wide total of \$1.7 billion. In 2012-13 and subsequent years, the payments totaled \$400 million, annually. Each city or county's share of these payments was determined based on its proportionate share of state-wide tax increment.

On August 17, 2011 the Supreme Court issued a stay of the implementation of ABX1 26 and 27 which allowed a redevelopment agency to continue if it adopted an ABX1 27 ordinance. However, because of the effect of the stay order, the authority for the Redevelopment Agency to engage in most activities was suspended.

The Supreme Court heard oral arguments on November 10, 2011 and on December 29, 2011 announced its decision in (*California Redevelopment Association v. Matosantos*). The court upheld ABX1 26 which eliminates redevelopment agencies, but invalidated in its entirety ABX1 27 which allowed redevelopment agencies to continue as long as they made the required payments. ABX1 26 established deadlines for the process of Redevelopment Agency dissolution and the handling of existing obligations. The Court extended certain deadlines of ABX1 26 in its ruling by four months. The full text of ABX1 26 may be obtained from the California legislative information website maintained by the Legislative Counsel of the State of California at: <http://www.leginfo.ca.gov/bilinfo.html>.

#### **Note 23: Subsequent Events**

On July 25, 2011 an oil spill occurred on private property within the City which traveled down into the storm drains with the risk of reaching the flood control channel. Due to the impact on the City's storm drains the City took immediate action to assess and remediate the spill. The City is pursuing cost recovery from the property owner and filed a lawsuit in January 2012. The remediation costs were approximately \$1.8 million.

CITY OF BANNING

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2011

<b>Special Revenue Funds</b>					
	<b>Gas Tax Street</b>	<b>Measure A</b>	<b>SB 300 Street</b>	<b>Article 3 Sidewalk</b>	
<b>Assets:</b>					
Pooled cash and investments	\$ 811,762	\$ 1,043,200	\$ 147,233	\$ 185	
Receivables:					
Accounts	470	-	-	-	-
Accrued interest	1,487	2,000	247	-	-
Due from other governments	97,082	81,448	-	-	146,475
Restricted assets:					
Cash and investments with fiscal agents	-	-	-	-	-
<b>Total Assets</b>	<b><u>\$ 910,801</u></b>	<b><u>\$ 1,126,648</u></b>	<b><u>\$ 147,480</u></b>	<b><u>\$ 146,660</u></b>	
<b>Liabilities and Fund Balances:</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 15,118	\$ 33,232	\$ -	\$ 51,145	
Accrued liabilities	24,219	-	-	-	-
Deferred revenues	760	-	-	-	-
Deposits payable	95,961	-	-	-	-
Due to other funds	-	-	-	82,500	
<b>Total Liabilities</b>	<b><u>136,058</u></b>	<b><u>33,232</u></b>	<b><u>-</u></b>	<b><u>133,645</u></b>	
<b>Fund Balances:</b>					
Restricted for:					
Public safety	-	-	-	-	-
Parks and recreation	-	-	-	-	-
Public works	774,743	1,093,416	-	-	-
Capital projects	-	-	147,480	13,015	
Committed to:					
Capital projects	-	-	-	-	-
Unassigned	-	-	-	-	-
<b>Total Fund Balances</b>	<b><u>774,743</u></b>	<b><u>1,093,416</u></b>	<b><u>147,480</u></b>	<b><u>13,015</u></b>	
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 910,801</u></b>	<b><u>\$ 1,126,648</u></b>	<b><u>\$ 147,480</u></b>	<b><u>\$ 146,660</u></b>	

CITY OF BANNING

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2011

(Continued)

	Special Revenue Funds			
	Community Development Block Grant	Landscape Maintenance District	AQMD Air Pollution Program	Asset Forfeiture
<b>Assets:</b>				
Pooled cash and investments	\$ 172,870	\$ 213,252	\$ 131,659	\$ 2,486
<b>Receivables:</b>				
Accounts	-	-	-	-
Accrued interest	-	329	210	4
Due from other governments	5,275	3,106	6,022	-
<b>Restricted assets:</b>				
Cash and investments with fiscal agents	-	-	-	-
<b>Total Assets</b>	<b>\$ 178,145</b>	<b>\$ 216,687</b>	<b>\$ 137,891</b>	<b>\$ 2,490</b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 5,275	\$ 3,765	\$ -	\$ -
Accrued liabilities	-	-	-	-
Deferred revenues	5,275	1,263	-	-
Deposits payable	-	-	-	-
Due to other funds	172,869	-	-	-
<b>Total Liabilities</b>	<b>183,419</b>	<b>5,028</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>				
Restricted for:				
Public safety	-	-	-	2,490
Parks and recreation	-	-	-	-
Public works	-	-	137,891	-
Capital projects	-	211,659	-	-
Committed to:				
Capital projects	-	-	-	-
Unassigned	(5,274)	-	-	-
<b>Total Fund Balances</b>	<b>(5,274)</b>	<b>211,659</b>	<b>137,891</b>	<b>2,490</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 178,145</b>	<b>\$ 216,687</b>	<b>\$ 137,891</b>	<b>\$ 2,490</b>

CITY OF BANNING

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2011

	Special Revenue Funds			
	Supplemental Law Enforcement	Public Safety Sales Tax	State Park Bond Act	Special Donations
<b>Assets:</b>				
Pooled cash and investments	\$ 161,782	\$ 17,861	\$ 928	\$ 24,108
Receivables:				
Accounts	-	-	-	-
Accrued interest	189	18	2	-
Due from other governments	25,228	15,445	-	-
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
<b>Total Assets</b>	<b>\$ 187,199</b>	<b>\$ 33,324</b>	<b>\$ 930</b>	<b>\$ 24,108</b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-
Deferred revenues	-	-	-	-
Deposits payable	-	-	-	1,312
Due to other funds	-	10,787	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>10,787</b>	<b>-</b>	<b>1,312</b>
<b>Fund Balances:</b>				
Restricted for:				
Public safety	187,199	22,537	-	-
Parks and recreation	-	-	-	22,796
Public works	-	-	-	-
Capital projects	-	-	930	-
Committed to:				
Capital projects	-	-	-	-
Unassigned	-	-	-	-
<b>Total Fund Balances</b>	<b>187,199</b>	<b>22,537</b>	<b>930</b>	<b>22,796</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 187,199</b>	<b>\$ 33,324</b>	<b>\$ 930</b>	<b>\$ 24,108</b>

CITY OF BANNING

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2011

(Continued)

	Special Revenue Funds			
	Senior Center Activities	Animal Control Reserve	Police Volunteer	D.A.R.E./G.R.E.A.T.
<b>Assets:</b>				
Pooled cash and investments	\$ 68,978	\$ 4,871	\$ 4,822	\$ -
Receivables:				
Accounts	-	-	-	-
Accrued interest	118	8	9	-
Due from other governments	-	-	-	-
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
<b>Total Assets</b>	<b>\$ 69,096</b>	<b>\$ 4,879</b>	<b>\$ 4,831</b>	<b>\$ -</b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 166	\$ -	\$ 564	\$ -
Accrued liabilities	-	-	-	-
Deferred revenues	-	-	-	-
Deposits payable	-	-	-	-
Due to other funds	-	-	-	-
<b>Total Liabilities</b>	<b>166</b>	<b>-</b>	<b>564</b>	<b>-</b>
<b>Fund Balances:</b>				
Restricted for:				
Public safety	-	4,879	4,267	-
Parks and recreation	68,930	-	-	-
Public works	-	-	-	-
Capital projects	-	-	-	-
Committed to:				
Capital projects	-	-	-	-
Unassigned	-	-	-	-
<b>Total Fund Balances</b>	<b>68,930</b>	<b>4,879</b>	<b>4,267</b>	<b>-</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 69,096</b>	<b>\$ 4,879</b>	<b>\$ 4,831</b>	<b>\$ -</b>

CITY OF BANNING

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2011

	Special Revenue Funds			Capital Projects Funds
	Ramsey/ Highland Home Signal	Wilson Median Improvement	Riverside County MOU	Police Facilities Development
<b>Assets:</b>				
Pooled cash and investments	\$ 80,126	\$ 374,933	\$ 188,243	\$ 24,861
<b>Receivables:</b>				
Accounts	-	-	-	-
Accrued interest	134	629	412	37
Due from other governments	-	-	150,000	-
<b>Restricted assets:</b>				
Cash and investments with fiscal agents	-	-	-	-
<b>Total Assets</b>	<b>\$ 80,260</b>	<b>\$ 375,562</b>	<b>\$ 338,655</b>	<b>\$ 24,898</b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	25,711	-
Deferred revenues	-	-	-	-
Deposits payable	-	-	-	-
Due to other funds	-	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>25,711</b>	<b>-</b>
<b>Fund Balances:</b>				
Restricted for:				
Public safety	-	-	312,944	-
Parks and recreation	-	-	-	-
Public works	80,260	375,562	-	-
Capital projects	-	-	-	-
Committed to:				
Capital projects	-	-	-	24,898
Unassigned	-	-	-	-
<b>Total Fund Balances</b>	<b>80,260</b>	<b>375,562</b>	<b>312,944</b>	<b>24,898</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 80,260</b>	<b>\$ 375,562</b>	<b>\$ 338,655</b>	<b>\$ 24,898</b>

CITY OF BANNING

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2011

(Continued)

<b>Capital Projects Funds</b>					
	<b>Fire Facilities Development</b>	<b>Traffic Control Facilities</b>	<b>General Facilities</b>	<b>Park Development</b>	
<b>Assets:</b>					
Pooled cash and investments	\$ 920,913	\$ 399,392	\$ 469,057	\$ 171,534	
Receivables:					
Accounts	-	-	-	-	-
Accrued interest	1,545	658	783	288	
Due from other governments	-	-	-	-	-
Restricted assets:					
Cash and investments with fiscal agents	-	-	-	-	-
<b>Total Assets</b>	<b><u>\$ 922,458</u></b>	<b><u>\$ 400,050</u></b>	<b><u>\$ 469,840</u></b>	<b><u>\$ 171,822</u></b>	
<b>Liabilities and Fund Balances:</b>					
<b>Liabilities:</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 17,954
Accrued liabilities	-	-	-	-	-
Deferred revenues	-	-	-	-	-
Deposits payable	-	-	-	-	-
Due to other funds	-	-	-	-	-
<b>Total Liabilities</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>17,954</u></b>
<b>Fund Balances:</b>					
Restricted for:					
Public safety	-	-	-	-	-
Parks and recreation	-	-	-	-	-
Public works	-	-	-	-	-
Capital projects	-	-	-	-	-
Committed to:					
Capital projects	922,458	400,050	469,840	153,868	
Unassigned	-	-	-	-	-
<b>Total Fund Balances</b>	<b><u>922,458</u></b>	<b><u>400,050</u></b>	<b><u>469,840</u></b>	<b><u>153,868</u></b>	
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 922,458</u></b>	<b><u>\$ 400,050</u></b>	<b><u>\$ 469,840</u></b>	<b><u>\$ 171,822</u></b>	

CITY OF BANNING

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2011

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	Capital Projects Funds			Total Governmental Funds
	Capital Improvement	Sunset Grade Separation		
<b>Assets:</b>				
Pooled cash and investments	\$ 131	\$ 163		\$ 5,435,350
Receivables:				
Accounts	-	-		470
Accrued interest	-	-		9,107
Due from other governments	-	728,067		1,258,148
Restricted assets:				
Cash and investments with fiscal agents	2,105,766	-		2,105,766
<b>Total Assets</b>	<b>\$ 2,105,897</b>	<b>\$ 728,230</b>		<b>\$ 8,808,841</b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ -		\$ 127,219
Accrued liabilities	-	-		49,930
Deferred revenues	-	-		7,298
Deposits payable	-	-		97,273
Due to other funds	1,422,100	686,235		2,374,491
<b>Total Liabilities</b>	<b>1,422,100</b>	<b>686,235</b>		<b>2,656,211</b>
<b>Fund Balances:</b>				
Restricted for:				
Public safety	-	-		534,316
Parks and recreation	-	-		91,726
Public works	-	-		2,461,872
Capital projects	-	-		373,084
Committed to:				
Capital projects	683,797	41,995		2,696,906
Unassigned	-	-		(5,274)
<b>Total Fund Balances</b>	<b>683,797</b>	<b>41,995</b>		<b>6,152,630</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,105,897</b>	<b>\$ 728,230</b>		<b>\$ 8,808,841</b>

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CITY OF BANNING

COMBINING STATEMENT OF REVENUES,  
 EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2011

	<b>Special Revenue Funds</b>			
	<b>Gas Tax Street</b>	<b>Measure A</b>	<b>SB 300 Street</b>	<b>Article 3 Sidewalk</b>
<b>Revenues:</b>				
Taxes	\$ -	\$ 436,845	\$ -	\$ -
Intergovernmental	725,261	-	-	242,647
Charges for services	-	-	-	-
Use of money and property	5,546	7,646	863	-
Miscellaneous	7,053	-	-	-
<b>Total Revenues</b>	<b>737,860</b>	<b>444,491</b>	<b>863</b>	<b>242,647</b>
<b>Expenditures:</b>				
Current:				
Public safety	-	-	-	-
Parks and recreation	-	-	-	-
Public works	792,067	-	-	-
Capital outlay	-	339,320	-	512,714
<b>Total Expenditures</b>	<b>792,067</b>	<b>339,320</b>	<b>-</b>	<b>512,714</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(54,207)	105,171	863	(270,067)
<b>Other Financing Sources (Uses):</b>				
Transfers in	73,000	-	-	358,787
Transfers out	-	(369,615)	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>73,000</b>	<b>(369,615)</b>	<b>-</b>	<b>358,787</b>
Net Change in Fund Balances	18,793	(264,444)	863	88,720
Fund Balances, Beginning of Year	755,950	1,357,860	146,617	(75,705)
<b>Fund Balances, End of Year</b>	<b>\$ 774,743</b>	<b>\$ 1,093,416</b>	<b>\$ 147,480</b>	<b>\$ 13,015</b>

CITY OF BANNING

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2011

(Continued)

	Special Revenue Funds			
	Community Development Block Grant	Landscape Maintenance District	AQMD Air Pollution Program	Asset Forfeiture
<b>Revenues:</b>				
Taxes	\$ -	\$ 131,374	\$ -	\$ -
Intergovernmental	84,673	-	30,693	-
Charges for services	-	-	-	-
Use of money and property	-	1,067	674	15
Miscellaneous	-	-	-	-
<b>Total Revenues</b>	<b>84,673</b>	<b>132,441</b>	<b>31,367</b>	<b>15</b>
<b>Expenditures:</b>				
Current:				
Public safety	-	-	-	-
Parks and recreation	18,046	-	-	-
Public works	-	115,819	3,069	-
Capital outlay	71,901	-	-	-
<b>Total Expenditures</b>	<b>89,947</b>	<b>115,819</b>	<b>3,069</b>	<b>-</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,274)	16,622	28,298	15
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	3,353	-
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>3,353</b>	<b>-</b>
Net Change in Fund Balances	(5,274)	16,622	31,651	15
Fund Balances, Beginning of Year	-	195,037	106,240	2,475
<b>Fund Balances, End of Year</b>	<b>\$ (5,274)</b>	<b>\$ 211,659</b>	<b>\$ 137,891</b>	<b>\$ 2,490</b>

CITY OF BANNING

COMBINING STATEMENT OF REVENUES,  
 EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2011

	Special Revenue Funds			
	Supplemental Law Enforcement	Public Safety Sales Tax	State Park Bond Act	Special Donations
<b>Revenues:</b>				
Taxes	\$ -	\$ 189,164	\$ -	\$ -
Intergovernmental	100,000	-	-	-
Charges for services	-	-	-	-
Use of money and property	1,014	62	5	-
Miscellaneous	-	-	-	7,456
<b>Total Revenues</b>	<b>101,014</b>	<b>189,226</b>	<b>5</b>	<b>7,456</b>
<b>Expenditures:</b>				
Current:				
Public safety	5,737	-	-	-
Parks and recreation	-	-	-	4,705
Public works	-	-	-	-
Capital outlay	13,943	-	-	-
<b>Total Expenditures</b>	<b>19,680</b>	<b>-</b>	<b>-</b>	<b>4,705</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	81,334	189,226	5	2,751
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	-	-
Transfers out	-	(170,000)	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>(170,000)</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	81,334	19,226	5	2,751
Fund Balances, Beginning of Year	105,865	3,311	925	20,045
<b>Fund Balances, End of Year</b>	<b>\$ 187,199</b>	<b>\$ 22,537</b>	<b>\$ 930</b>	<b>\$ 22,796</b>

CITY OF BANNING

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2011

(Continued)

	Special Revenue Funds			
	Senior Center Activities	Animal Control Reserve	Police Volunteer	D.A.R.E./G.R.E.A.T.
<b>Revenues:</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for services	301	-	-	-
Use of money and property	411	29	32	49
Miscellaneous	5,264	-	-	-
<b>Total Revenues</b>	<b>5,976</b>	<b>29</b>	<b>32</b>	<b>49</b>
<b>Expenditures:</b>				
Current:				
Public safety	-	-	1,463	45,466
Parks and recreation	8,920	-	-	-
Public works	-	-	-	-
Capital outlay	-	-	-	1,321
<b>Total Expenditures</b>	<b>8,920</b>	<b>-</b>	<b>1,463</b>	<b>46,787</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,944)	29	(1,431)	(46,738)
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	(2,944)	29	(1,431)	(46,738)
Fund Balances, Beginning of Year	71,874	4,850	5,698	46,738
<b>Fund Balances, End of Year</b>	<b>\$ 68,930</b>	<b>\$ 4,879</b>	<b>\$ 4,267</b>	<b>\$ -</b>

CITY OF BANNING

COMBINING STATEMENT OF REVENUES,  
 EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2011

	Special Revenue Funds			Capital Projects Funds
	Ramsey/ Highland Home Signal	Wilson Median Improvement	Riverside County MOU	Police Facilities Development
<b>Revenues:</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	450,000	-
Charges for services	-	-	-	-
Use of money and property	469	2,195	1,089	122
Miscellaneous	-	-	-	5,685
<b>Total Revenues</b>	<b>469</b>	<b>2,195</b>	<b>451,089</b>	<b>5,807</b>
<b>Expenditures:</b>				
Current:				
Public safety	-	-	426,555	-
Parks and recreation	-	-	-	-
Public works	-	-	-	-
Capital outlay	-	-	-	-
<b>Total Expenditures</b>	<b>-</b>	<b>-</b>	<b>426,555</b>	<b>-</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	469	2,195	24,534	5,807
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	469	2,195	24,534	5,807
Fund Balances, Beginning of Year	79,791	373,367	288,410	19,091
<b>Fund Balances, End of Year</b>	<b>\$ 80,260</b>	<b>\$ 375,562</b>	<b>\$ 312,944</b>	<b>\$ 24,898</b>

CITY OF BANNING

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2011

(Continued)

<b>Capital Projects Funds</b>				
	<b>Fire Facilities Development</b>	<b>Traffic Control Facilities</b>	<b>General Facilities</b>	<b>Park Development</b>
<b>Revenues:</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Use of money and property	5,388	2,281	2,728	988
Miscellaneous	821	14,160	4,425	-
<b>Total Revenues</b>	<b>6,209</b>	<b>16,441</b>	<b>7,153</b>	<b>988</b>
<b>Expenditures:</b>				
Current:				
Public safety	-	-	-	-
Parks and recreation	-	-	-	8,636
Public works	-	-	-	-
Capital outlay	-	-	-	17,954
<b>Total Expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>26,590</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	6,209	16,441	7,153	(25,602)
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	6,209	16,441	7,153	(25,602)
Fund Balances, Beginning of Year	916,249	383,609	462,687	179,470
<b>Fund Balances, End of Year</b>	<b>\$ 922,458</b>	<b>\$ 400,050</b>	<b>\$ 469,840</b>	<b>\$ 153,868</b>

CITY OF BANNING

COMBINING STATEMENT OF REVENUES,  
 EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2011

	Capital Projects Funds			Total Governmental Funds
	Capital Improvement	Sunset Grade Separation		
<b>Revenues:</b>				
Taxes	\$ -	\$ -		\$ 757,383
Intergovernmental	-	728,067		2,361,341
Charges for services	-	-		301
Use of money and property	3,895	610		37,178
Miscellaneous	-	-		44,864
<b>Total Revenues</b>	<b>3,895</b>	<b>728,677</b>		<b>3,201,067</b>
<b>Expenditures:</b>				
Current:				
Public safety	-	-		479,221
Parks and recreation	-	-		40,307
Public works	-	-		910,955
Capital outlay	19,294	728,067		1,704,514
<b>Total Expenditures</b>	<b>19,294</b>	<b>728,067</b>		<b>3,134,997</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(15,399)	610		66,070
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-		435,140
Transfers out	-	-		(539,615)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>		<b>(104,475)</b>
Net Change in Fund Balances	(15,399)	610		(38,405)
Fund Balances, Beginning of Year	699,196	41,385		6,191,035
<b>Fund Balances, End of Year</b>	<b>\$ 683,797</b>	<b>\$ 41,995</b>		<b>\$ 6,152,630</b>

**CITY OF BANNING**

**BUDGETARY COMPARISON SCHEDULE**  
**GAS TAX STREET**  
**YEAR ENDED JUNE 30, 2011**

	<b>Budget Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Budgetary Fund Balance, July 1	\$ 755,950	\$ 755,950	\$ 755,950	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	440,000	752,809	725,261	(27,548)
Use of money and property	4,125	4,125	5,546	1,421
Miscellaneous	1,500	1,500	7,053	5,553
Transfers in	327,735	327,735	73,000	(254,735)
<b>Amounts Available for Appropriation</b>	<b>1,529,310</b>	<b>1,842,119</b>	<b>1,566,810</b>	<b>(275,309)</b>
<b>Charges to Appropriation (Outflow):</b>				
Public works	829,733	839,732	792,067	47,665
Capital outlay	-	100,000	-	100,000
<b>Total Charges to Appropriations</b>	<b>829,733</b>	<b>939,732</b>	<b>792,067</b>	<b>147,665</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 699,577</b>	<b>\$ 902,387</b>	<b>\$ 774,743</b>	<b>\$ (127,644)</b>

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE  
MEASURE A  
YEAR ENDED JUNE 30, 2011

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
	\$	\$		
Budgetary Fund Balance, July 1	\$ 1,357,860	\$ 1,357,860	\$ 1,357,860	\$ -
<b>Resources (Inflows):</b>				
Taxes	351,000	351,000	436,845	85,845
Use of money and property	8,000	8,000	7,646	(354)
<b>Amounts Available for Appropriation</b>	<b>1,716,860</b>	<b>1,716,860</b>	<b>1,802,351</b>	<b>85,491</b>
<b>Charges to Appropriation (Outflow):</b>				
Capital outlay	351,000	683,320	339,320	344,000
Transfers out	-	376,272	369,615	6,657
<b>Total Charges to Appropriations</b>	<b>351,000</b>	<b>1,059,592</b>	<b>708,935</b>	<b>350,657</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 1,365,860</b>	<b>\$ 657,268</b>	<b>\$ 1,093,416</b>	<b>\$ 436,148</b>

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE  
 SB 300 STREET  
 YEAR ENDED JUNE 30, 2011

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 146,617	\$ 146,617	\$ 146,617	\$ -
<b>Resources (Inflows):</b>				
Use of money and property	725	725	863	138
<b>Amounts Available for Appropriation</b>	<b>147,342</b>	<b>147,342</b>	<b>147,480</b>	<b>138</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 147,342</b>	<b>\$ 147,342</b>	<b>\$ 147,480</b>	<b>\$ 138</b>

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE  
ARTICLE 3 SIDEWALK  
YEAR ENDED JUNE 30, 2011

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (75,705)	\$ (75,705)	\$ (75,705)	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	-	242,647	242,647	-
Use of money and property	300	300	-	(300)
Transfers in	-	364,672	358,787	(5,885)
<b>Amounts Available for Appropriation</b>	<b>(75,405)</b>	<b>531,914</b>	<b>525,729</b>	<b>(6,185)</b>
<b>Charges to Appropriation (Outflow):</b>				
Capital outlay	-	512,684	512,714	(30)
<b>Total Charges to Appropriations</b>	<b>-</b>	<b>512,684</b>	<b>512,714</b>	<b>(30)</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ (75,405)</b>	<b>\$ 19,230</b>	<b>\$ 13,015</b>	<b>\$ (6,215)</b>

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE  
 COMMUNITY DEVELOPMENT BLOCK GRANT  
 YEAR ENDED JUNE 30, 2011

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	-	241,517	84,673	(156,844)
<b>Amounts Available for Appropriation</b>	<b>-</b>	<b>241,517</b>	<b>84,673</b>	<b>(156,844)</b>
<b>Charges to Appropriation (Outflow):</b>				
Parks and recreation	-	159,616	18,046	141,570
Capital outlay	-	81,901	71,901	10,000
<b>Total Charges to Appropriations</b>	<b>-</b>	<b>241,517</b>	<b>89,947</b>	<b>151,570</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (5,274)</b>	<b>\$ (5,274)</b>

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE  
 LANDSCAPE MAINTENANCE DISTRICT  
 YEAR ENDED JUNE 30, 2011

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 195,037	\$ 195,037	\$ 195,037	\$ -
<b>Resources (Inflows):</b>				
Taxes	130,030	133,253	131,374	(1,879)
Use of money and property	750	750	1,067	317
<b>Amounts Available for Appropriation</b>	<b>325,817</b>	<b>329,040</b>	<b>327,478</b>	<b>(1,562)</b>
<b>Charges to Appropriation (Outflow):</b>				
Public works	145,230	133,930	115,819	18,111
<b>Total Charges to Appropriations</b>	<b>145,230</b>	<b>133,930</b>	<b>115,819</b>	<b>18,111</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 180,587</b>	<b>\$ 195,110</b>	<b>\$ 211,659</b>	<b>\$ 16,549</b>

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE  
 AQMD AIR POLLUTION PROGRAM  
 YEAR ENDED JUNE 30, 2011

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 106,240	\$ 106,240	\$ 106,240	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	31,000	31,000	30,693	(307)
Use of money and property	1,000	1,000	674	(326)
Transfers in	-	3,353	3,353	-
<b>    Amounts Available for Appropriation</b>	<b>138,240</b>	<b>141,593</b>	<b>140,960</b>	<b>(633)</b>
<b>Charges to Appropriation (Outflow):</b>				
Public works	-	3,225	3,069	156
<b>    Total Charges to Appropriations</b>	<b>-</b>	<b>3,225</b>	<b>3,069</b>	<b>156</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 138,240</b>	<b>\$ 138,368</b>	<b>\$ 137,891</b>	<b>\$ (477)</b>

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE  
 ASSET FORFEITURE  
 YEAR ENDED JUNE 30, 2011

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 2,475	\$ 2,475	\$ 2,475	\$ -
<b>Resources (Inflows):</b>				
Use of money and property	10	10	15	5
<b>Amounts Available for Appropriation</b>	<b>2,485</b>	<b>2,485</b>	<b>2,490</b>	<b>5</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 2,485</b>	<b>\$ 2,485</b>	<b>\$ 2,490</b>	<b>\$ 5</b>

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE  
SUPPLEMENTAL LAW ENFORCEMENT  
YEAR ENDED JUNE 30, 2011

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
	\$ 105,865	\$ 105,865		
Budgetary Fund Balance, July 1			\$ 105,865	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	-	100,000	100,000	-
Use of money and property	-	400	1,014	614
<b>    Amounts Available for Appropriation</b>	<b>105,865</b>	<b>206,265</b>	<b>206,879</b>	<b>614</b>
<b>Charges to Appropriation (Outflow):</b>				
Public safety	-	50,916	5,737	45,179
Capital outlay	-	154,948	13,943	141,005
<b>    Total Charges to Appropriations</b>	<b>-</b>	<b>205,864</b>	<b>19,680</b>	<b>186,184</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 105,865</b>	<b>\$ 401</b>	<b>\$ 187,199</b>	<b>\$ 186,798</b>

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE  
 PUBLIC SAFETY SALES TAX  
 YEAR ENDED JUNE 30, 2011

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 3,311	\$ 3,311	\$ 3,311	\$ -
<b>Resources (Inflows):</b>				
Taxes	180,000	180,000	189,164	9,164
Use of money and property	-	-	62	62
<b>Amounts Available for Appropriation</b>	<b>183,311</b>	<b>183,311</b>	<b>192,537</b>	<b>9,226</b>
<b>Charges to Appropriation (Outflow):</b>				
Transfers out	170,000	170,000	170,000	-
<b>Total Charges to Appropriations</b>	<b>170,000</b>	<b>170,000</b>	<b>170,000</b>	<b>-</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 13,311</b>	<b>\$ 13,311</b>	<b>\$ 22,537</b>	<b>\$ 9,226</b>

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE  
 SPECIAL DONATIONS  
 YEAR ENDED JUNE 30, 2011

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 20,045	\$ 20,045	\$ 20,045	\$ -
<b>Resources (Inflows):</b>				
Miscellaneous	1,500	6,260	7,456	1,196
<b>Amounts Available for Appropriation</b>	<b>21,545</b>	<b>26,305</b>	<b>27,501</b>	<b>1,196</b>
<b>Charges to Appropriation (Outflow):</b>				
Parks and recreation	1,500	1,575	4,705	(3,130)
<b>Total Charges to Appropriations</b>	<b>1,500</b>	<b>1,575</b>	<b>4,705</b>	<b>(3,130)</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 20,045</b>	<b>\$ 24,730</b>	<b>\$ 22,796</b>	<b>\$ (1,934)</b>

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE  
 SENIOR CENTER ACTIVITIES  
 YEAR ENDED JUNE 30, 2011

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 71,874	\$ 71,874	\$ 71,874	\$ -
<b>Resources (Inflows):</b>				
Charges for services	200	200	301	101
Use of money and property	500	500	411	(89)
Miscellaneous	5,950	5,950	5,264	(686)
<b>Amounts Available for Appropriation</b>	<b>78,524</b>	<b>78,524</b>	<b>77,850</b>	<b>(674)</b>
<b>Charges to Appropriation (Outflow):</b>				
Parks and recreation	16,670	16,752	8,920	7,832
<b>Total Charges to Appropriations</b>	<b>16,670</b>	<b>16,752</b>	<b>8,920</b>	<b>7,832</b>
Budgetary Fund Balance, June 30	<b>\$ 61,854</b>	<b>\$ 61,772</b>	<b>\$ 68,930</b>	<b>\$ 7,158</b>

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE  
 ANIMAL CONTROL RESERVE  
 YEAR ENDED JUNE 30, 2011

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 4,850	\$ 4,850	\$ 4,850	\$ -
<b>Resources (Inflows):</b>				
Use of money and property	30	30	29	(1)
<b>Amounts Available for Appropriation</b>	<b>4,880</b>	<b>4,880</b>	<b>4,879</b>	<b>(1)</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 4,880</b>	<b>\$ 4,880</b>	<b>\$ 4,879</b>	<b>\$ (1)</b>

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE  
 POLICE VOLUNTEER  
 YEAR ENDED JUNE 30, 2011

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 5,698	\$ 5,698	\$ 5,698	\$ -
<b>Resources (Inflows):</b>				
Use of money and property	30	30	32	2
<b>Amounts Available for Appropriation</b>	<b>5,728</b>	<b>5,728</b>	<b>5,730</b>	<b>2</b>
<b>Charges to Appropriation (Outflow):</b>				
Public safety	2,905	2,905	1,463	1,442
<b>Total Charges to Appropriations</b>	<b>2,905</b>	<b>2,905</b>	<b>1,463</b>	<b>1,442</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 2,823</b>	<b>\$ 2,823</b>	<b>\$ 4,267</b>	<b>\$ 1,444</b>

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE  
 D.A.R.E./ G.R.E.A.T.  
 YEAR ENDED JUNE 30, 2011

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 46,738	\$ 46,738	\$ 46,738	\$ -
<b>Resources (Inflows):</b>				
Use of money and property	-	48	49	1
<b>Amounts Available for Appropriation</b>	<b>46,738</b>	<b>46,786</b>	<b>46,787</b>	<b>1</b>
<b>Charges to Appropriation (Outflow):</b>				
Public safety	-	46,785	45,466	1,319
Capital outlay	-	-	1,321	(1,321)
<b>Total Charges to Appropriations</b>	<b>-</b>	<b>46,785</b>	<b>46,787</b>	<b>(2)</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 46,738</b>	<b>\$ 1</b>	<b>\$ -</b>	<b>\$ (1)</b>

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE  
 RAMSEY/HIGHLAND HOME SIGNAL  
 YEAR ENDED JUNE 30, 2011

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 79,791	\$ 79,791	\$ 79,791	\$ -
<b>Resources (Inflows):</b>				
Use of money and property	400	400	469	69
<b>Amounts Available for Appropriation</b>	<b>80,191</b>	<b>80,191</b>	<b>80,260</b>	<b>69</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 80,191</b>	<b>\$ 80,191</b>	<b>\$ 80,260</b>	<b>\$ 69</b>

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE  
 WILSON MEDIAN IMPROVEMENT  
 YEAR ENDED JUNE 30, 2011

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 373,367	\$ 373,367	\$ 373,367	\$ -
<b>Resources (Inflows):</b>				
Use of money and property	1,850	1,850	2,195	345
<b>Amounts Available for Appropriation</b>	<b>375,217</b>	<b>375,217</b>	<b>375,562</b>	<b>345</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 375,217</b>	<b>\$ 375,217</b>	<b>\$ 375,562</b>	<b>\$ 345</b>

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE  
RIVERSIDE COUNTY MOU  
YEAR ENDED JUNE 30, 2011

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Budgetary Fund Balance, July 1	\$ 288,410	\$ 288,410	\$ 288,410	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	300,000	300,000	450,000	150,000
Use of money and property	3,500	2,500	1,089	(1,411)
<b>Amounts Available for Appropriation</b>	<b>591,910</b>	<b>590,910</b>	<b>739,499</b>	<b>148,589</b>
<b>Charges to Appropriation (Outflow):</b>				
Public safety	471,018	451,598	426,555	25,043
<b>Total Charges to Appropriations</b>	<b>471,018</b>	<b>451,598</b>	<b>426,555</b>	<b>25,043</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 120,892</b>	<b>\$ 139,312</b>	<b>\$ 312,944</b>	<b>\$ 173,632</b>

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE  
 POLICE FACILITIES DEVELOPMENT  
 YEAR ENDED JUNE 30, 2011

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 19,091	\$ 19,091	\$ 19,091	\$ -
<b>Resources (Inflows):</b>				
Use of money and property	150	150	122	(28)
Miscellaneous	1,500	-	5,685	5,685
<b>Amounts Available for Appropriation</b>	<b>20,741</b>	<b>19,241</b>	<b>24,898</b>	<b>5,657</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 20,741</b>	<b>\$ 19,241</b>	<b>\$ 24,898</b>	<b>\$ 5,657</b>

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE  
FIRE FACILITIES DEVELOPMENT  
YEAR ENDED JUNE 30, 2011

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 916,249	\$ 916,249	\$ 916,249	\$ -
<b>Resources (Inflows):</b>				
Use of money and property	4,500	4,500	5,388	888
Miscellaneous	5,000	-	821	821
<b>Amounts Available for Appropriation</b>	<b>925,749</b>	<b>920,749</b>	<b>922,458</b>	<b>1,709</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 925,749</b>	<b>\$ 920,749</b>	<b>\$ 922,458</b>	<b>\$ 1,709</b>

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE  
 TRAFFIC CONTROL FACILITIES  
 YEAR ENDED JUNE 30, 2011

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 383,609	\$ 383,609	\$ 383,609	\$ -
<b>Resources (Inflows):</b>				
Use of money and property	2,000	2,000	2,281	281
Miscellaneous	500	-	14,160	14,160
<b>Amounts Available for Appropriation</b>	<b>386,109</b>	<b>385,609</b>	<b>400,050</b>	<b>14,441</b>
<b>Charges to Appropriation (Outflow):</b>				
Public works	-	50,000	-	50,000
Capital outlay	-	175,000	-	175,000
<b>Total Charges to Appropriations</b>	<b>-</b>	<b>225,000</b>	<b>-</b>	<b>225,000</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 386,109</b>	<b>\$ 160,609</b>	<b>\$ 400,050</b>	<b>\$ 239,441</b>

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE  
 GENERAL FACILITIES  
 YEAR ENDED JUNE 30, 2011

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Budgetary Fund Balance, July 1	\$ 462,687	\$ 462,687	\$ 462,687	\$ -
<b>Resources (Inflows):</b>				
Use of money and property	2,500	2,500	2,728	228
Miscellaneous	2,000	-	4,425	4,425
<b>Amounts Available for Appropriation</b>	<b>467,187</b>	<b>465,187</b>	<b>469,840</b>	<b>4,653</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 467,187</b>	<b>\$ 465,187</b>	<b>\$ 469,840</b>	<b>\$ 4,653</b>

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE  
 PARK DEVELOPMENT  
 YEAR ENDED JUNE 30, 2011

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 179,470	\$ 179,470	\$ 179,470	\$ -
<b>Resources (Inflows):</b>				
Use of money and property	1,900	1,900	988	(912)
<b>Amounts Available for Appropriation</b>	<b>181,370</b>	<b>181,370</b>	<b>180,458</b>	<b>(912)</b>
<b>Charges to Appropriation (Outflow):</b>				
Parks and recreation	-	9,161	8,636	525
Capital outlay	-	150,000	17,954	132,046
<b>Total Charges to Appropriations</b>	<b>-</b>	<b>159,161</b>	<b>26,590</b>	<b>132,571</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 181,370</b>	<b>\$ 22,209</b>	<b>\$ 153,868</b>	<b>\$ 131,659</b>

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE  
 CAPITAL IMPROVEMENT  
 YEAR ENDED JUNE 30, 2011

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Budgetary Fund Balance, July 1	\$ 699,196	\$ 699,196	\$ 699,196	\$ -
<b>Resources (Inflows):</b>				
Use of money and property	20,000	20,000	3,895	(16,105)
<b>Amounts Available for Appropriation</b>	<b>719,196</b>	<b>719,196</b>	<b>703,091</b>	<b>(16,105)</b>
<b>Charges to Appropriation (Outflow):</b>				
Capital outlay	-	19,294	19,294	-
<b>Total Charges to Appropriations</b>	<b>-</b>	<b>19,294</b>	<b>19,294</b>	<b>-</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 719,196</b>	<b>\$ 699,902</b>	<b>\$ 683,797</b>	<b>\$ (16,105)</b>

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE  
SUNSET GRADE SEPARATION  
YEAR ENDED JUNE 30, 2011

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 41,385	\$ 41,385	\$ 41,385	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	2,000,000	2,796,715	728,067	(2,068,648)
Use of money and property	-	-	610	610
<b>    Amounts Available for Appropriation</b>	<b>2,041,385</b>	<b>2,838,100</b>	<b>770,062</b>	<b>(2,068,038)</b>
<b>Charges to Appropriation (Outflow):</b>				
Capital outlay	2,000,000	2,838,154	728,067	2,110,087
<b>    Total Charges to Appropriations</b>	<b>2,000,000</b>	<b>2,838,154</b>	<b>728,067</b>	<b>2,110,087</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 41,385</b>	<b>\$ (54)</b>	<b>\$ 41,995</b>	<b>\$ 42,049</b>

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE  
 REDEVELOPMENT AGENCY - CAPITAL PROJECTS  
 YEAR ENDED JUNE 30, 2011

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, as restated	\$ 24,989,899	\$ 24,989,899	\$ 24,989,899	\$ -
<b>Resources (Inflows):</b>				
Taxes	-	-	879,924	879,924
Use of money and property	110,500	100,500	69,709	(30,791)
Miscellaneous	9,000	19,100	22,854	3,754
Transfers in	1,966,596	1,680,947	573,084	(1,107,863)
<b>Amounts Available for Appropriation</b>	<b>27,075,995</b>	<b>26,790,446</b>	<b>26,535,470</b>	<b>(254,976)</b>
<b>Charges to Appropriation (Outflow):</b>				
General government	3,096,821	5,409,871	3,022,643	2,387,228
Public works	-	6,374,222	409,278	5,964,944
Capital outlay	-	6,727,916	2,138,877	4,589,039
Transfers out	192,304	192,304	6,398,815	(6,206,511)
<b>Total Charges to Appropriations</b>	<b>3,289,125</b>	<b>18,704,313</b>	<b>11,969,613</b>	<b>6,734,700</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 23,786,870</b>	<b>\$ 8,086,133</b>	<b>\$ 14,565,857</b>	<b>\$ 6,479,724</b>

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE  
REDEVELOPMENT AGENCY - DEBT SERVICE  
YEAR ENDED JUNE 30, 2011

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 2,201,516	\$ 2,201,516	\$ 2,201,516	\$ -
<b>Resources (Inflows):</b>				
Taxes	4,832,980	4,429,734	3,519,694	(910,040)
Use of money and property	571,380	571,380	558,001	(13,379)
Transfers in	192,304	192,304	3,547,813	3,355,509
Other debts issued	-	3,455,000	-	(3,455,000)
<b>Amounts Available for Appropriation</b>	<b>7,798,180</b>	<b>10,849,934</b>	<b>9,827,024</b>	<b>(1,022,910)</b>
<b>Charges to Appropriation (Outflow):</b>				
General government	1,175,669	1,175,669	1,119,382	56,287
Debt service:				
Principal retirement	1,175,212	5,095,212	5,022,964	72,248
Interest and fiscal charges	2,086,410	2,096,326	2,086,196	10,130
Transfers out	1,966,596	1,680,947	573,084	1,107,863
<b>Total Charges to Appropriations</b>	<b>6,403,887</b>	<b>10,048,154</b>	<b>8,801,626</b>	<b>1,246,528</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 1,394,293</b>	<b>\$ 801,780</b>	<b>\$ 1,025,398</b>	<b>\$ 223,618</b>

CITY OF BANNING

COMBINING STATEMENT OF NET ASSETS  
NON-MAJOR ENTERPRISE FUNDS  
JUNE 30, 2011

<u>Business-Type Activities - Enterprise Funds</u>					
	<u>Airport</u>	<u>Transit</u>	<u>Refuse Utility</u>	<u>Totals</u>	
<b>Assets:</b>					
Current:					
Pooled cash and investments	\$ 159,795	\$ 253,506	\$ 283,395	\$ 696,696	
Receivables:					
Accounts	199	680	420,597	421,476	
Loans	-	963	-	963	
Interest	298	501	474	1,273	
Due from other governments	211,984	32,410	7,809	252,203	
Inventories	<u>15,854</u>	<u>-</u>	<u>-</u>	<u>15,854</u>	
<b>Total Current Assets</b>	<b><u>388,130</u></b>	<b><u>288,060</u></b>	<b><u>712,275</u></b>	<b><u>1,388,465</u></b>	
Noncurrent:					
Capital assets - net of accumulated depreciation	<u>2,879,807</u>	<u>982,920</u>	<u>5,246</u>	<u>3,867,973</u>	
<b>Total Noncurrent Assets</b>	<b><u>2,879,807</u></b>	<b><u>982,920</u></b>	<b><u>5,246</u></b>	<b><u>3,867,973</u></b>	
<b>Total Assets</b>	<b><u>\$ 3,267,937</u></b>	<b><u>\$ 1,270,980</u></b>	<b><u>\$ 717,521</u></b>	<b><u>\$ 5,256,438</u></b>	
<b>Liabilities and Net Assets:</b>					
<b>Liabilities:</b>					
Current:					
Accounts payable	\$ 227,288	\$ 47,062	\$ 220,441	\$ 494,791	
Accrued liabilities	2,741	51,928	6,153	60,822	
Unearned revenues	-	97,612	-	97,612	
Deposits payable	27,212	-	83,510	110,722	
Accrued compensated absences	<u>402</u>	<u>13,548</u>	<u>6,849</u>	<u>20,799</u>	
<b>Total Current Liabilities</b>	<b><u>257,643</u></b>	<b><u>210,150</u></b>	<b><u>316,953</u></b>	<b><u>784,746</u></b>	
Noncurrent:					
Accrued compensated absences	<u>4,691</u>	<u>78,696</u>	<u>33,903</u>	<u>117,290</u>	
<b>Total Noncurrent Liabilities</b>	<b><u>4,691</u></b>	<b><u>78,696</u></b>	<b><u>33,903</u></b>	<b><u>117,290</u></b>	
<b>Total Liabilities</b>	<b><u>262,334</u></b>	<b><u>288,846</u></b>	<b><u>350,856</u></b>	<b><u>902,036</u></b>	
<b>Net Assets:</b>					
Invested in capital assets, net of related debt	2,879,807	982,920	5,246	3,867,973	
Unrestricted	<u>125,796</u>	<u>(786)</u>	<u>361,419</u>	<u>486,429</u>	
<b>Total Net Assets</b>	<b><u>3,005,603</u></b>	<b><u>982,134</u></b>	<b><u>366,665</u></b>	<b><u>4,354,402</u></b>	
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 3,267,937</u></b>	<b><u>\$ 1,270,980</u></b>	<b><u>\$ 717,521</u></b>	<b><u>\$ 5,256,438</u></b>	

CITY OF BANNING

COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET ASSETS  
NON-MAJOR ENTERPRISE FUNDS  
YEAR ENDED JUNE 30, 2011

<u>Business-Type Activities - Enterprise Funds</u>				
	<u>Airport</u>	<u>Transit</u>	<u>Refuse Utility</u>	<u>Totals</u>
<b>Operating Revenues:</b>				
Sales and service charges	\$ 227,802	\$ 120,260	\$ 3,008,019	\$ 3,356,081
<b>Total Operating Revenues</b>	<b>227,802</b>	<b>120,260</b>	<b>3,008,019</b>	<b>3,356,081</b>
<b>Operating Expenses:</b>				
Salaries and benefits	55,476	853,065	118,937	1,027,478
Supplies and services	268,600	390,366	2,786,399	3,445,365
Repairs and maintenance	6,360	157	-	6,517
Bad debt expense	-	-	60,193	60,193
Depreciation expense	156,893	138,060	3,935	298,888
<b>Total Operating Expenses</b>	<b>487,329</b>	<b>1,381,648</b>	<b>2,969,464</b>	<b>4,838,441</b>
Operating Income (Loss)	(259,527)	(1,261,388)	38,555	(1,482,360)
<b>Nonoperating Revenues (Expenses):</b>				
Intergovernmental	460,038	1,958,646	36,130	2,454,814
Interest revenue	1,099	2,536	1,433	5,068
Miscellaneous	11	-	22,376	22,387
<b>Total Nonoperating Revenues (Expenses)</b>	<b>461,148</b>	<b>1,961,182</b>	<b>59,939</b>	<b>2,482,269</b>
Income (Loss) Before Transfers	201,621	699,794	98,494	999,909
Transfers in	10,828	-	-	10,828
Transfers out	-	-	(55,000)	(55,000)
Changes in Net Assets	212,449	699,794	43,494	955,737
<b>Net Assets:</b>				
Beginning of Year	2,793,154	282,340	323,171	3,398,665
<b>End of Fiscal Year</b>	<b>\$ 3,005,603</b>	<b>\$ 982,134</b>	<b>\$ 366,665</b>	<b>\$ 4,354,402</b>

CITY OF BANNING

COMBINING STATEMENT OF CASH FLOWS  
NON-MAJOR ENTERPRISE FUNDS  
YEAR ENDED JUNE 30, 2011

	Business-Type Activities - Enterprise Funds			
	Airport	Transit	Refuse Utility	Totals
<b>Cash Flows from Operating Activities:</b>				
Cash received from customers and users	\$ 228,410	\$ 120,670	\$ 3,041,791	\$ 3,390,871
Cash paid to suppliers for goods and services	(78,449)	(341,966)	(3,092,059)	(3,512,474)
Cash paid to employees for services	(55,290)	(785,523)	(120,812)	(961,625)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>94,671</b>	<b>(1,006,819)</b>	<b>(171,080)</b>	<b>(1,083,228)</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>				
Cash transfers out	-	-	(55,000)	(55,000)
Cash transfers in	10,828	-	-	10,828
Intergovernmental	248,054	1,156,955	33,321	1,438,330
Miscellaneous	11	-	22,374	22,385
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<b>258,893</b>	<b>1,156,955</b>	<b>695</b>	<b>1,416,543</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Acquisition and construction of capital assets	(411,138)	(837,854)	-	(1,248,992)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(411,138)</b>	<b>(837,854)</b>	<b>-</b>	<b>(1,248,992)</b>
<b>Cash Flows from Investing Activities:</b>				
Interest received	1,125	4,252	1,647	7,024
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>1,125</b>	<b>4,252</b>	<b>1,647</b>	<b>7,024</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(56,449)</b>	<b>(683,466)</b>	<b>(168,738)</b>	<b>(908,653)</b>
Cash and Cash Equivalents at Beginning of Year	216,244	936,972	452,133	1,605,349
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 159,795</b>	<b>\$ 253,506</b>	<b>\$ 283,395</b>	<b>\$ 696,696</b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>				
Operating income (loss)	\$ (259,527)	\$ (1,261,388)	\$ 38,555	\$ (1,482,360)
<b>Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:</b>				
Depreciation	156,893	138,060	3,935	298,888
(Increase) decrease in accounts receivable	608	410	33,772	34,790
(Increase) decrease in loans receivable	-	2,930	-	2,930
(Increase) decrease in inventories	19,141	-	-	19,141
Increase (decrease) in accounts payable	173,429	45,627	(250,804)	(31,748)
Increase (decrease) in accrued liabilities	721	24,644	(1,814)	23,551
Increase (decrease) in deposits payable	3,941	-	5,337	9,278
Increase (decrease) in compensated absences	(535)	42,898	(61)	42,302
<b>Total Adjustments</b>	<b>354,198</b>	<b>254,569</b>	<b>(209,635)</b>	<b>399,132</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 94,671</b>	<b>\$ (1,006,819)</b>	<b>\$ (171,080)</b>	<b>\$ (1,083,228)</b>
<b>Non-Cash Investing, Capital, and Financing Activities:</b>				
None.				

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CITY OF BANNING

COMBINING STATEMENT OF NET ASSETS  
 INTERNAL SERVICE FUNDS  
 JUNE 30, 2011

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	<u>Self Insurance</u>	<u>Fleet Maintenance</u>	<u>Information Services</u>
<b>Assets:</b>			
Current:			
Pooled cash and investments	\$ 2,251,114	\$ 536,018	\$ 291,511
Receivables:			
Accounts	-	34,595	-
Loans	-	-	3,440
Interest	486	927	499
Inventories	-	63,736	-
<b>Total Current Assets</b>	<b>2,251,600</b>	<b>635,276</b>	<b>295,450</b>
Noncurrent:			
Capital assets - net of accumulated depreciation	-	321,888	67,084
<b>Total Noncurrent Assets</b>	<b>-</b>	<b>321,888</b>	<b>67,084</b>
<b>Total Assets</b>	<b>\$ 2,251,600</b>	<b>\$ 957,164</b>	<b>\$ 362,534</b>
<b>Liabilities and Net Assets:</b>			
<b>Liabilities:</b>			
Current:			
Accounts payable	\$ 2,334	\$ 57,594	\$ 22,816
Accrued liabilities	15,702	15,897	17,084
Deposits payable	928	-	-
Accrued compensated absences	18,230	1,502	16,931
Accrued claims and judgments	330,040	-	-
<b>Total Current Liabilities</b>	<b>367,234</b>	<b>74,993</b>	<b>56,831</b>
Noncurrent:			
Accrued compensated absences	18,211	41,775	13,619
Accrued claims and judgments	596,550	-	-
<b>Total Noncurrent Liabilities</b>	<b>614,761</b>	<b>41,775</b>	<b>13,619</b>
<b>Total Liabilities</b>	<b>981,995</b>	<b>116,768</b>	<b>70,450</b>
<b>Net Assets:</b>			
Invested in capital assets	-	321,888	67,084
Unrestricted	1,269,605	518,508	225,000
<b>Total Net Assets</b>	<b>1,269,605</b>	<b>840,396</b>	<b>292,084</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 2,251,600</b>	<b>\$ 957,164</b>	<b>\$ 362,534</b>

CITY OF BANNING

COMBINING STATEMENT OF NET ASSETS  
 INTERNAL SERVICE FUNDS  
 JUNE 30, 2011

	Utility Billing Accounting & Collection	Totals
<b>Assets:</b>		
Current:		
Pooled cash and investments	\$ 275,365	\$ 3,354,008
Receivables:		
Accounts	19,765	54,360
Loans	886	4,326
Interest	538	2,450
Inventories	-	63,736
<b>Total Current Assets</b>	<b>296,554</b>	<b>3,478,880</b>
Noncurrent:		
Capital assets - net of accumulated depreciation	21,635	410,607
<b>Total Noncurrent Assets</b>	<b>21,635</b>	<b>410,607</b>
<b>Total Assets</b>	<b>\$ 318,189</b>	<b>\$ 3,889,487</b>
<b>Liabilities and Net Assets:</b>		
<b>Liabilities:</b>		
Current:		
Accounts payable	\$ 18,399	\$ 101,143
Accrued liabilities	50,334	99,017
Deposits payable	-	928
Accrued compensated absences	25,927	62,590
Accrued claims and judgments	-	330,040
<b>Total Current Liabilities</b>	<b>94,660</b>	<b>593,718</b>
Noncurrent:		
Accrued compensated absences	29,287	102,892
Accrued claims and judgments	-	596,550
<b>Total Noncurrent Liabilities</b>	<b>29,287</b>	<b>699,442</b>
<b>Total Liabilities</b>	<b>123,947</b>	<b>1,293,160</b>
<b>Net Assets:</b>		
Invested in capital assets	21,635	410,607
Unrestricted	172,607	2,185,720
<b>Total Net Assets</b>	<b>194,242</b>	<b>2,596,327</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 318,189</b>	<b>\$ 3,889,487</b>

CITY OF BANNING

COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET ASSETS  
INTERNAL SERVICE FUNDS  
YEAR ENDED JUNE 30, 2011

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	Self Insurance	Fleet Maintenance	Information Services
<b>Operating Revenues:</b>			
Sales and service charges	\$ 1,726,084	\$ 997,017	\$ 397,053
<b>Total Operating Revenues</b>	<b>1,726,084</b>	<b>997,017</b>	<b>397,053</b>
<b>Operating Expenses:</b>			
Salaries and benefits	280,317	245,059	252,455
Supplies and services	653,202	648,705	50,688
Repairs and maintenance	1,670	98,682	69,607
Insurance premiums	977,531	-	-
Depreciation expense	-	9,964	23,913
<b>Total Operating Expenses</b>	<b>1,912,720</b>	<b>1,002,410</b>	<b>396,663</b>
Operating Income (Loss)	(186,636)	(5,393)	390
<b>Nonoperating Revenues (Expenses):</b>			
Interest revenue	21,623	3,196	1,684
Miscellaneous	160,382	470	1,962
Gain (loss) on disposal of capital assets	-	-	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>182,005</b>	<b>3,666</b>	<b>3,646</b>
Income (Loss) Before Transfers	(4,631)	(1,727)	4,036
Transfers out	-	(575)	-
Changes in Net Assets	(4,631)	(2,302)	4,036
<b>Net Assets:</b>			
Beginning of Year	1,274,236	842,698	288,048
<b>End of Fiscal Year</b>	<b>\$ 1,269,605</b>	<b>\$ 840,396</b>	<b>\$ 292,084</b>

CITY OF BANNING

COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET ASSETS  
INTERNAL SERVICE FUNDS  
YEAR ENDED JUNE 30, 2011

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	Utility Billing Accounting & Collection	Totals
<b>Operating Revenues:</b>		
Sales and service charges	\$ 946,040	\$ 4,066,194
<b>Total Operating Revenues</b>	<b>946,040</b>	<b>4,066,194</b>
<b>Operating Expenses:</b>		
Salaries and benefits	826,142	1,603,973
Supplies and services	486,074	1,838,669
Repairs and maintenance	30,739	200,698
Insurance premiums	-	977,531
Depreciation expense	19,323	53,200
<b>Total Operating Expenses</b>	<b>1,362,278</b>	<b>4,674,071</b>
Operating Income (Loss)	(416,238)	(607,877)
<b>Nonoperating Revenues (Expenses):</b>		
Interest revenue	1,734	28,237
Miscellaneous	-	162,814
Gain (loss) on disposal of capital assets	463	463
<b>Total Nonoperating Revenues (Expenses)</b>	<b>2,197</b>	<b>191,514</b>
Income (Loss) Before Transfers	(414,041)	(416,363)
Transfers out	-	(575)
Changes in Net Assets	(414,041)	(416,938)
<b>Net Assets:</b>		
Beginning of Year	608,283	3,013,265
<b>End of Fiscal Year</b>	<b>\$ 194,242</b>	<b>\$ 2,596,327</b>

CITY OF BANNING

COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
YEAR ENDED JUNE 30, 2011

	<u>Self Insurance</u>	<u>Fleet Maintenance</u>	<u>Information Services</u>
<b>Cash Flows from Operating Activities:</b>			
Cash received from/(paid to) interfund service provided	\$ 1,726,084	\$ 988,845	\$ 397,053
Cash paid to suppliers for goods and services	(706,242)	(753,591)	(105,159)
Cash paid to employees for services	(239,838)	(234,354)	(228,422)
Cash paid for claims	(954,929)	-	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(174,925)</b>	<b>900</b>	<b>63,472</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Cash transfers out	-	(575)	-
Intergovernmental	-	460	-
Miscellaneous	160,382	470	1,962
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<b>160,382</b>	<b>355</b>	<b>1,962</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisition and construction of capital assets	-	-	(37,943)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>-</b>	<b>-</b>	<b>(37,943)</b>
<b>Cash Flows from Investing Activities:</b>			
Interest received	21,868	3,380	1,734
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>21,868</b>	<b>3,380</b>	<b>1,734</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>7,325</b>	<b>4,635</b>	<b>29,225</b>
Cash and Cash Equivalents at Beginning of Year	2,243,789	531,383	262,286
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 2,251,114</b>	<b>\$ 536,018</b>	<b>\$ 291,511</b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	\$ (186,636)	\$ (5,393)	\$ 390
<b>Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:</b>			
Depreciation	-	9,964	23,913
(Increase) decrease in accounts receivable	-	(8,172)	-
(Increase) decrease in loans receivable	-	-	(3,440)
(Increase) decrease in inventories	-	19,597	-
Increase (decrease) in accounts payable	(51,370)	(25,801)	18,576
Increase (decrease) in accrued liabilities	10,637	6,055	10,109
Increase (decrease) in claims and judgments	22,602	-	-
Increase (decrease) in compensated absences	29,842	4,650	13,924
<b>Total Adjustments</b>	<b>11,711</b>	<b>6,293</b>	<b>63,082</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ (174,925)</b>	<b>\$ 900</b>	<b>\$ 63,472</b>

**CITY OF BANNING**

**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**YEAR ENDED JUNE 30, 2011**

	<b>Utility Billing Accounting &amp; Collection</b>	<b>Totals</b>
<b>Cash Flows from Operating Activities:</b>		
Cash received from/(paid to) interfund service provided	\$ 943,350	\$ 4,055,332
Cash paid to suppliers for goods and services	(515,179)	(2,080,171)
Cash paid to employees for services	(786,566)	(1,489,180)
Cash paid for claims	-	(954,929)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(358,395)</b>	<b>(468,948)</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>		
Cash transfers out	-	(575)
Intergovernmental	-	460
Miscellaneous	-	162,814
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<b>-</b>	<b>162,699</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Acquisition and construction of capital assets	463	(37,480)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>463</b>	<b>(37,480)</b>
<b>Cash Flows from Investing Activities:</b>		
Interest received	2,482	29,464
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>2,482</b>	<b>29,464</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(355,450)</b>	<b>(314,265)</b>
Cash and Cash Equivalents at Beginning of Year	630,815	3,668,273
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 275,365</b>	<b>\$ 3,354,008</b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>		
Operating income (loss)	\$ (416,238)	\$ (607,877)
<b>Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:</b>		
Depreciation	19,323	53,200
(Increase) decrease in accounts receivable	(2,690)	(10,862)
(Increase) decrease in loans receivable	(486)	(3,926)
(Increase) decrease in inventories	-	19,597
Increase (decrease) in accounts payable	2,120	(56,475)
Increase (decrease) in accrued liabilities	20,921	47,722
Increase (decrease) in claims and judgments	-	22,602
Increase (decrease) in compensated absences	18,655	67,071
<b>Total Adjustments</b>	<b>57,843</b>	<b>138,929</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ (358,395)</b>	<b>\$ (468,948)</b>

**CITY OF BANNING****COMBINING BALANCE SHEET  
ALL AGENCY FUNDS  
JUNE 30, 2011**

	<b>Sun Lake CFD 86-1</b>	<b>Special AD 91-1</b>	<b>Area Police Computer</b>
<b>Assets:</b>			
Pooled cash and investments	\$ 34,775	\$ 171,747	\$ 15,457
Receivables:			
Interest	59	207	29
Due from other governments	-	3,477	-
Restricted assets:			
Cash with fiscal agents	<u>-</u>	<u>378,144</u>	<u>-</u>
<b>Total Assets</b>	<b><u>\$ 34,834</u></b>	<b><u>\$ 553,575</u></b>	<b><u>\$ 15,486</u></b>
 <b>Liabilities:</b>			
Accounts payable	\$ -	\$ 184	\$ 467
Deposits payable	-	4,701	-
Due to bondholders	<u>34,834</u>	<u>548,690</u>	<u>15,019</u>
<b>Total Liabilities</b>	<b><u>\$ 34,834</u></b>	<b><u>\$ 553,575</u></b>	<b><u>\$ 15,486</u></b>

**CITY OF BANNING****COMBINING BALANCE SHEET  
ALL AGENCY FUNDS  
JUNE 30, 2011**

	<b>Fair Oaks AD 2004-1</b>	<b>Cameo Homes</b>	<b>Totals</b>
<b>Assets:</b>			
Pooled cash and investments	\$ 167,092	\$ 45,461	\$ 434,532
Receivables:			
Interest	196	76	567
Due from other governments	7,064	-	10,541
Restricted assets:			
Cash with fiscal agents	219,300	-	597,444
<b>Total Assets</b>	<b>\$ 393,652</b>	<b>\$ 45,537</b>	<b>\$ 1,043,084</b>
 <b>Liabilities:</b>			
Accounts payable	\$ -	\$ -	\$ 651
Deposits payable	16,886	40,000	61,587
Due to bondholders	376,766	5,537	980,846
<b>Total Liabilities</b>	<b>\$ 393,652</b>	<b>\$ 45,537</b>	<b>\$ 1,043,084</b>

CITY OF BANNING

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
YEAR ENDED JUNE 30, 2011

	Balance 7/1/2010	Additions	Deductions	Balance 6/30/2011
<b><u>Sun Lake CFD 86-1</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 34,558	\$ 455	\$ 238	\$ 34,775
Receivables:				
Accrued interest	73	149	163	59
<b>Total Assets</b>	<b>\$ 34,631</b>	<b>\$ 604</b>	<b>\$ 401</b>	<b>\$ 34,834</b>
<b>Liabilities:</b>				
Due to bondholders	\$ 34,631	\$ 664	\$ 461	\$ 34,834
<b>Total Liabilities</b>	<b>\$ 34,631</b>	<b>\$ 664</b>	<b>\$ 461</b>	<b>\$ 34,834</b>
<b><u>Special AD 91-1</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 327,561	\$ 225,876	\$ 381,690	\$ 171,747
Receivables:				
Accrued interest	548	716	1,057	207
Due from other governments	20,879	3,476	20,878	3,477
Restricted assets:				
Cash with fiscal agents	265,603	112,716	175	378,144
<b>Total Assets</b>	<b>\$ 614,591</b>	<b>\$ 342,784</b>	<b>\$ 403,800</b>	<b>\$ 553,575</b>
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ 9,641	\$ 9,457	\$ 184
Deposits payable	4,701	-	-	4,701
Due to bondholders	609,890	207,332	268,532	548,690
<b>Total Liabilities</b>	<b>\$ 614,591</b>	<b>\$ 216,973</b>	<b>\$ 277,989</b>	<b>\$ 553,575</b>
<b><u>Area Police Computer</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 45,877	\$ 49,225	\$ 79,645	\$ 15,457
Receivables:				
Accrued interest	100	116	187	29
<b>Total Assets</b>	<b>\$ 45,977</b>	<b>\$ 49,341</b>	<b>\$ 79,832</b>	<b>\$ 15,486</b>
<b>Liabilities:</b>				
Accounts payable	\$ 32,577	\$ 43,071	\$ 75,181	\$ 467
Due to bondholders	13,400	46,949	45,330	15,019
<b>Total Liabilities</b>	<b>\$ 45,977</b>	<b>\$ 90,020</b>	<b>\$ 120,511</b>	<b>\$ 15,486</b>

CITY OF BANNING

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
YEAR ENDED JUNE 30, 2011

	Balance 7/1/2010	Additions	Deductions	Balance 6/30/2011
<b><u>Fair Oaks AD 2004-1</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 146,937	\$ 246,278	\$ 226,123	\$ 167,092
Receivables:				
Accrued interest	209	476	489	196
Due from other governments	19,648	7,064	19,648	7,064
Restricted assets:				
Cash with fiscal agents	216,957	30,307	27,964	219,300
<b>Total Assets</b>	<b>\$ 383,751</b>	<b>\$ 284,125</b>	<b>\$ 274,224</b>	<b>\$ 393,652</b>
<b>Liabilities:</b>				
Accounts payable	\$ 2,500	\$ 15,201	\$ 17,701	\$ -
Deposits payable	-	16,886	-	16,886
Due to bondholders	381,251	221,311	225,796	376,766
<b>Total Liabilities</b>	<b>\$ 383,751</b>	<b>\$ 253,398</b>	<b>\$ 243,497</b>	<b>\$ 393,652</b>
<b><u>Cameo Homes</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 45,176	\$ 440	\$ 155	\$ 45,461
Receivables:				
Accrued interest	95	195	214	76
<b>Total Assets</b>	<b>\$ 45,271</b>	<b>\$ 635</b>	<b>\$ 369</b>	<b>\$ 45,537</b>
<b>Liabilities:</b>				
Deposits payable	\$ 40,000	\$ -	\$ -	\$ 40,000
Due to bondholders	5,271	266	-	5,537
<b>Total Liabilities</b>	<b>\$ 45,271</b>	<b>\$ 266</b>	<b>\$ -</b>	<b>\$ 45,537</b>
<b><u>Totals - All Agency Funds</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 600,109	\$ 522,274	\$ 687,851	\$ 434,532
Receivables:				
Accrued interest	1,025	1,652	2,110	567
Due from other governments	40,527	10,540	40,526	10,541
Restricted assets:				
Cash with fiscal agents	482,560	143,023	28,139	597,444
<b>Total Assets</b>	<b>\$ 1,124,221</b>	<b>\$ 677,489</b>	<b>\$ 758,626</b>	<b>\$ 1,043,084</b>
<b>Liabilities:</b>				
Accounts payable	\$ 35,077	\$ 67,913	\$ 102,339	\$ 651
Deposits payable	44,701	16,886	-	61,587
Due to bondholders	1,044,443	476,522	540,119	980,846
<b>Total Liabilities</b>	<b>\$ 1,124,221</b>	<b>\$ 561,321</b>	<b>\$ 642,458</b>	<b>\$ 1,043,084</b>

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