

CITY OF BANNING, CALIFORNIA

FINANCIAL STATEMENTS

JUNE 30, 2005

CITY OF BANNING
FINANCIAL STATEMENTS
JUNE 30, 2005

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Banning, California, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the City of Banning's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted by the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Banning as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2005 on our consideration of the City of Banning's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

75 YEARS



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

Our audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Lance, Soll & Lungard, LLP

November 10, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Banning, we offer readers of the City of Banning's financial statements this narrative overview and analysis of the financial activities of the City of Banning for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS

- The City's governmental activities net assets and business-type activities net assets were \$87.2 million and \$95.9 million, respectively, at June 30, 2005.
- During the year, the City had revenues that were \$16.37 million more than the \$17.72 million expenses recorded by the City in its governmental activities.
- In the City's business-type activities, revenues were \$9.25 million more than the \$28.84 million in expenses recorded.
- The revenues available for expenditure were \$1.14 million more than budgeted for in the General Fund. The City kept General Fund expenditures within spending limits by \$1.37 million.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and Statement of Activities provide information about the activities of the City as a whole and present a long-term view of the City's finances. Fund financial statements start on page 16. For governmental activities, these fund statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operation in more detail than the government-wide statements by providing information about the City's most significant funds and other funds. The remaining fiduciary (Agency) fund statement provides financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

REPORTING THE CITY AS A WHOLE

The Statement of Net Assets and the Statement of Activities:

The analysis of the City as a whole begins on page 12. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that answers this question. These statements include all assets and liabilities of the City using the *accrual basis of accounting*, which is similar to the accounting method used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's *net assets* and *changes*. Net assets are the difference between assets and liabilities, which is one way to measure the City's financial health, or

financial position. Over time, *increases or decreases* in the City's net assets are an indication of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the economy due to external factors that will cause a decrease in consumer spending.

In the statement of Net Assets and the Statement of Activities, we separate the City Activities as follows:

Governmental activities – Most of the City's basic services are reported in this category, including the general administration (city manager, city clerk, finance, etc.), police and fire protection, public works, community development, parks and recreation, and interest on long-term debt. Property taxes, sales tax, transient occupancy tax, user fees, interest income, franchise fees, state and federal grants, contributions from other agencies, and other revenues finance these activities.

Business-type activities – The City charges a fee to customers to cover all or most of the cost of certain services it provides. The City's municipal airport, transit, refuse, electric, water and wastewater operations are reported in this category.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements:

The fund financial statements provide detailed information about the most significant funds and other funds – not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, management established many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other resources. The City's two types of funds are governmental and proprietary.

Governmental funds – Most of the City's basic services are reported in governmental funds, which focus on how money flows in and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term* view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the Governmental Fund financial statements to those in the Government-Wide financial statements are explained in a reconciliation following each Governmental Fund financial statement.

Proprietary funds – When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's proprietary funds are the same as the business-type activities we report in the

government-wide statements but provide more detail and additional information such as a statement of cash flows.

THE CITY AS TRUSTEE

Reporting the City's Fiduciary Responsibilities:

The City is the trustee, or *fiduciary*, for certain funds held on behalf of those entities outside of the government. The City's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE CITY AS A WHOLE

The City's combined net assets were \$183.20 million at June 30, 2005. A separate review of the net change in the governmental and business-type activities depicts two different stories. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the City's governmental and business-type activities.

TABLE 1
NET ASSETS
(IN MILLIONS)

As of June 30, 2005 and 2004

	Governmental Activities	Business Type Activities	2005 Total	2004 Total
Current and other assets	\$ 34.84	\$ 56.89	91.73	\$ 79.67
Capital assets	<u>75.73</u>	<u>51.98</u>	<u>127.71</u>	<u>116.14</u>
TOTAL ASSETS	<u>110.57</u>	<u>108.87</u>	<u>219.44</u>	<u>195.81</u>
Long-term liabilities				
outstanding	20.38	10.73	31.11	15.21
Other liabilities	<u>2.97</u>	<u>2.16</u>	<u>5.13</u>	<u>23.75</u>
TOTAL LIABILITIES	<u>23.35</u>	<u>12.89</u>	<u>36.24</u>	<u>38.96</u>
Net assets:				
Invested in capital assets, net of related debt	57.23	41.63	98.86	89.08
Restricted	19.37	0.88	20.25	18.65
Unrestricted	<u>10.62</u>	<u>53.47</u>	<u>64.09</u>	<u>49.12</u>
TOTAL NET ASSETS	<u>\$ 87.22</u>	<u>\$ 95.98</u>	<u>\$ 183.20</u>	<u>\$ 156.85</u>

The City's Net Assets are made-up of three components: Invested in Capital Assets, Net of Related Debt, Restricted and Unrestricted Net Assets.

The net assets of the governmental activities and business-type activities of the City increased by \$16.37 million and \$9.25 million, respectively.

As of June 30, 2005 and 2004

	Governmental Activities	Business Type Activities	2005 Total	2004 Total
REVENUES:				
Program Revenues:				
Charges for services	\$ 3.50	\$ 32.00	\$ 35.50	\$ 34.95
Operating grants and contributions	\$ 0.27	0.82	1.09	1.10
Capital grants and contributions	2.46	-	2.46	0.35
General Revenues:				
Property taxes	5.43	0.94	6.37	4.47
Sales tax	3.83	-	3.83	3.27
Franchise Taxes	0.62	-	0.62	0.59
Other taxes	0.70	-	0.70	0.70
Motor Vehicle In-Lieu	0.68	-	0.68	1.29
Use of Money & Property	1.22	0.97	2.19	1.24
Capital Contributions	12.32	-	12.32	-
Other Revenues	3.06	3.35	6.41	5.11
TOTAL REVENUES	34.09	38.08	72.17	53.07
EXPENSES:				
General Government	3.29	-	3.29	3.07
Public Safety	7.84	-	7.84	6.34
Public Works	4.78	-	4.78	4.51
Parks and Recreation	0.84	-	0.84	0.87
Interest on long-term debt	0.97	-	0.97	0.69
Airport		0.24	0.24	0.24
Transit		1.21	1.21	0.98
Water	-	4.87	4.87	4.48
Electric		17.59	17.59	18.80
Wastewater	-	2.62	2.62	2.67
Refuse	-	2.30	2.30	2.14
TOTAL EXPENSES	17.72	28.83	46.55	44.79
INCREASE (DECREASE) IN NET ASSETS	\$ 16.37	\$ 9.25	\$ 25.62	\$ 8.28

Governmental Activities

The following presents the cost of each of the City's five largest programs – general government, public safety, public works, parks and recreation and interest on long-term debt – as well as each program's *net* cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions (see Table 3).

TABLE 3
PROGRAM NET COST
GOVERNMENTAL ACTIVITIES
(IN MILLIONS)

As of June 30, 2005

	<u>Total Cost of Services</u>	<u>Net Revenue (Expense)</u>
General Government	\$ 3.29	(\$ 1.58)
Public Safety	7.84	(7.52)
Public Works	4.78	(0.87)
Parks and Recreation	0.84	(0.55)
Interest on long-term debt	<u>0.97</u>	<u>(0.97)</u>
Total	<u><u>\$17.72</u></u>	<u><u>(\$11.49)</u></u>

Business-Type Activities

The following presents the cost of each of the City's six programs - airport, transit, water utility, electric utility, wastewater utility and refuse utility - as well as each program's *net* cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions (see Table 4).

TABLE 4
PROGRAM NET COST
BUSINESS-TYPE ACTIVITIES
(IN MILLIONS)

As of June 30, 2005

	<u>Total Cost of Services</u>	<u>Net Revenue (Expense)</u>
Airport	\$ 0.24	\$ 0.46
Transit	1.21	(1.08)
Water Utility	4.87	1.78
Electric Utility	17.59	3.03
Wastewater Utility	2.62	(0.29)
Refuse Utility	<u>2.30</u>	<u>0.08</u>
Total	<u><u>\$28.83</u></u>	<u><u>\$3.98</u></u>

THE CITY'S FUNDS

On page 16, the governmental funds balance sheet is shown. The total fund balance for all governmental funds is \$29.10 million. This total includes the general fund balance of \$7.57 million. The City's general fund balance includes reserves for loans receivable as well as City Council adopted designations of fund balance totaling \$3.90 million.

General Fund Budgetary Highlights

During the year, with the recommendation from the City's staff, the City Council revised the City budget several times. Budgetary adjustments were made on an ongoing basis in an effort to accurately reflect the City's financial position. These adjustments included, but were not limited to, new projects or contracts, change orders to existing projects or contracts, and other adjustments deemed necessary to maintain current service levels. All adjustments that either increase or decrease appropriations or estimated revenue are approved by the City Council.

For the City's general fund, actual ending revenues of \$12.95 million were \$1.14 million more than the final budgeted revenues of \$11.81 million. The most significant variance was in total tax revenues, which was budgeted to be \$6.59 million; however, the actual was \$7.13 million. The other significant variances were in charges for services and intergovernmental revenues. In these two categories, the City budgeted a total of \$3.74 million, and the actual was \$4.52 million.

The general fund actual ending expenditures of \$12.71 million were \$1.37 million less than the final budget of \$14.08 million. There were significant changes in the original budget compared to the final budget during the year. The original expenditure budget was \$11.17 million compared to the final budget of \$14.08 million, a \$2.91 million increase.

Even though the City's general fund appropriations increased by \$2.91 million to \$14.08 million, mainly due to the carryover of continuing appropriations, final expenditures were only \$12.71 million. The City's general fund still had an actual net increase in fund balance of \$0.23 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, the City had \$127.71 million invested in a broad range of capital assets (See Table 5).

TABLE 5
CAPITAL ASSETS BY ACTIVITY
(IN MILLIONS)

June 30, 2005

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Land	\$ 2.85	\$ 1.18	\$ 4.03
Construction in progress	0.44	1.19	1.63
Buildings and Structures	4.02	0.19	4.21
Improvements	0.93	1.43	2.36
Machinery and Equipment	0.92	-	0.92
Vehicles	0.78	-	0.78
Utility Plant	-	47.99	47.99
Infrastructure	<u>65.79</u>	<u>-</u>	<u>65.79</u>
TOTALS	<u>\$ 75.73</u>	<u>\$ 51.98</u>	<u>\$ 127.71</u>

As presented in the Adopted Operating budget for Fiscal Year 2004-05, the CIP totals \$6.43 million for all categories of the capital improvement projects reported by the various City departments. The amount of the adopted projects reflects a \$3.49 million increase over the previous fiscal year's Capital Budget of \$2.94 million. The difference is attributed to the number and nature of capital improvement projects within the various departments. For example, several major projects in the City's utilities funds were budgeted for in the current fiscal year. For additional information on capital assets refer to the Notes to the Financial Statements.

Debt

At year-end, the City's governmental activities had \$20.44 million in bonds, loans, advances, leases, and compensated absences outstanding while the business-type activities had \$10.73 million in debt (see Table 6).

TABLE 6
DEBT RECAP BY ACTIVITY
(IN MILLIONS)

June 30, 2005

	Governmental Activities	Business Type Activities	Total
Compensated absences	\$ 1.23	\$ 0.38	\$ 1.61
Tax Allocation Bonds	13.74	-	13.74
Certificates of Participation	5.47	6.41	11.88
Loans	-	3.94	3.94
TOTALS	<u>\$ 20.44</u>	<u>\$ 10.73</u>	<u>\$ 31.17</u>

During fiscal year ended June 30, 2005, the City paid \$.36 million toward Redevelopment Tax Allocation Bonds and .22 million toward COP's. The City was able to meet its current debt obligations in a timely manner.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

In preparing the budget for 2006, management looked at the following economic factors:

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

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

- The State's short-term fiscal problems will not result in any additional City revenue reductions beyond those specific impacts identified and included in the Governor's 2005-06 budget
- The national economy's recent modest recovery efforts and continued fluctuations will not have a significant adverse impact on the City's revenue stream
- Sales Tax revenue will increase slightly to approximately \$2.70 million absent the affects of the State's Triple Flip
- The State will decrease Motor Vehicle License Fees significantly, however, the entire reduction will be backfilled by the State with property taxes

- Property Tax revenues will increase by \$0.09 million, or approximately 5%, absent the affects of the State's backfill commitments and significant fluctuations in supplemental taxes
- Development related revenues will be moderately higher than the prior year levels due to activity levels consistent with last year
- City revenues will not be adversely affected by court decisions, state legislative actions, various propositions, initiatives, or other actions beyond the City's control

The General Fund 2005-06 Expenditure Budget of \$13.27 million is approximately \$2.1 million higher than the Adopted Budget for Fiscal Year 2004-05. This net increase is attributable to a rise in labor costs due mainly to the implementation of new labor contracts (\$1.41 million) and an increase in services and supplies costs (\$0.69 million).

The Operating Budget for Fiscal Year 2005-06 is a well-balanced budget that reflects the City's commitment to provide its citizens a safe environment to work, play and live as well as provide the highest level of service to the community within the City's financial constraint and is consistent with the City Council's goals and objectives. Questions or requests for information regarding the City of Banning's 2005-06 budget should be sent to the Finance Department at the address below.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City of Banning's finances and to show the City's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City's Finance Department, at the City of Banning, P.O. Box 998, Banning, California 92220.

CITY OF BANNING
STATEMENT OF NET ASSETS
JUNE 30, 2005

Exhibit A

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and investments	\$ 28,628,961	\$ 46,336,104	\$ 74,965,065
Receivables:			
Accounts	339,313	4,230,113	4,569,426
Loans	305,030	6,517	311,547
Accrued interest	210,402	308,423	518,825
Internal balances	(939,493)	939,493	-
Inventories	64,285	1,250,105	1,314,390
Unamortized debt issuance costs	637,722	283,639	921,361
Deposits	-	1,331,514	1,331,514
Due from other governments	1,619,981	375,769	1,995,750
Restricted assets:			
Cash and investments	-	947,915	947,915
Cash with fiscal agent	3,974,042	879,856	4,853,898
Capital assets not being depreciated	3,290,320	2,370,818	5,661,138
Capital assets, net of depreciation	72,443,712	49,607,396	122,051,108
Total Assets	110,574,275	108,867,662	219,441,937
Liabilities:			
Accounts payable	484,137	1,265,425	1,749,562
Accrued liabilities	375,291	148,627	523,918
Accrued interest	298,941	98,841	397,782
Unearned revenues	9,849	111,401	121,250
Deposits payable	710,196	531,520	1,241,716
Due to other governments	412,057	-	412,057
Accrued claims and judgments	677,225	-	677,225
Noncurrent liabilities:			
Due within one year	775,772	679,363	1,455,135
Due in more than one year	19,608,565	10,051,120	29,659,685
Total Liabilities	23,352,033	12,886,297	36,238,330
Net Assets:			
Invested in capital assets,			
Invested in capital assets, net of related debt	57,225,897	41,631,464	98,857,361
Restricted for:			
Community development projects	1,999,223	-	1,999,223
Public safety	1,243,202	-	1,243,202
Other purpose	14,235,161	-	14,235,161
Debt service	1,894,315	879,856	2,774,171
Unrestricted	10,624,444	53,470,045	64,094,489
Total Net Assets	\$ 87,222,242	\$ 95,981,365	\$ 183,203,607

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CITY OF BANNING

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005

	Program Revenues		
	Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Functions/Programs:			
Primary Government:			
Governmental Activities:			
General government	\$ 3,288,176	\$ 1,707,750	\$ -
Public safety	7,841,336	124,160	192,893
Public works	4,784,788	1,431,748	43,435
Parks and recreation	838,647	238,423	38,005
Interest on long-term debt	965,355	-	11,251
Total Governmental Activities	17,718,302	3,502,081	274,333
			2,454,612
Business-Type Activities:			
Airport	241,317	214,509	485,763
Transit	1,206,261	98,253	35,220
Water utility	4,870,632	6,353,367	297,402
Electric utility	17,586,722	20,617,000	-
Wastewater utility	2,623,913	2,332,396	-
Refuse utility	2,306,431	2,385,836	-
Total Business-Type Activities	28,835,276	32,001,361	818,385
Total Primary Government	\$ 46,553,578	\$ 35,503,442	\$ 1,092,718
			\$ 2,454,612

General Revenues:

Taxes:

- Property taxes, levied for general purpose
- Transient occupancy taxes
- Sales taxes
- Franchise taxes
- Business licenses taxes
- Other taxes
- Motor vehicle in lieu
- Use of money and property
- Other

Transfers

Total General Revenues and Transfers

Change in Net Assets Excluding Special Item

Special Item:

Capital contribution from developer

Change in Net Assets

Net Assets at Beginning of Year

Restatement of Net Assets

Net Assets at End of Year

See Notes to Financial Statements

Exhibit B

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

Governmental Activities	Business-Type Activities	Total
\$ (1,580,426)	\$ -	\$ (1,580,426)
(7,524,283)	- (7,524,283)	
(866,244)	- (866,244)	
(550,968)	- (550,968)	
<u>(965,355)</u>	<u>-</u>	<u>(965,355)</u>
<u>(11,487,276)</u>	<u>-</u>	<u>(11,487,276)</u>
- 458,955	458,955	458,955
- (1,072,788)	(1,072,788)	
- 1,780,137	1,780,137	1,780,137
- 3,030,278	3,030,278	3,030,278
- (291,517)	(291,517)	
<u>- 79,405</u>	<u>79,405</u>	<u>79,405</u>
<u>-</u>	<u>3,984,470</u>	<u>3,984,470</u>
<u>(11,487,276)</u>	<u>3,984,470</u>	<u>(7,502,806)</u>
5,424,150	942,781	6,366,931
192,640	-	192,640
3,829,617	-	3,829,617
621,733	-	621,733
152,802	-	152,802
363,901	-	363,901
676,376	-	676,376
1,218,024	971,120	2,189,144
2,824,534	3,589,685	6,414,219
<u>235,500</u>	<u>(235,500)</u>	<u>-</u>
<u>15,539,277</u>	<u>5,268,086</u>	<u>20,807,363</u>
4,052,001	9,252,556	13,304,557
<u>12,324,162</u>	<u>-</u>	<u>12,324,162</u>
16,376,163	9,252,556	25,628,719
70,122,209	86,729,514	156,851,723
<u>723,870</u>	<u>(705)</u>	<u>723,165</u>
<u>\$ 87,222,242</u>	<u>\$ 95,981,365</u>	<u>\$ 183,203,607</u>

CITY OF BANNING

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005**

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Redevelopment Agency</u>
Assets:			
Cash and investments	\$ 7,821,984	\$ 12,294,655	
Receivables:			
Accounts	242,249	-	
Interest	79,015	76,752	
Loans	33,445	-	
Deferred loans	-	-	
Due from other governments	1,045,572	1,367	
Restricted assets:			
Cash and investments with fiscal agents	-	-	
Total Assets	<u>\$ 9,222,265</u>	<u>\$ 12,372,774</u>	
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	\$ 306,416	\$ 27,158	
Accrued liabilities	285,800	-	
Due to other funds	-	-	
Unearned revenues	-	-	
Deferred revenues	419,807	-	
Advances from other funds	-	-	
Deposits payable	240,279	45,256	
Due to other governments	404,354	-	
Total Liabilities	<u>1,656,656</u>	<u>72,414</u>	
Fund Balances:			
Reserved:			
Reserved for special donations	-	-	
Reserved for loans receivable	33,445	-	
Unreserved:			
Unreserved, reported in nonmajor:			
Special revenue funds	-	-	
Capital projects funds	-	-	
Designated for working capital	1,166,098	-	
Designated for equipment replacement	342,938	-	
Designated for compensated absences	278,995	-	
Designated for CALPERS liabilities	1,200,000	-	
Designated for continuing appropriations	875,424	-	
Designated for capital projects	-	9,438,309	
Designated for low and moderate housing	-	2,862,051	
Designated for debt service	-	-	
Undesignated	3,668,709	-	
Total Fund Balances	<u>7,565,609</u>	<u>12,300,360</u>	
Total Liabilities and Fund Balances	<u>\$ 9,222,265</u>	<u>\$ 12,372,774</u>	

See Notes to Financial Statements

Exhibit C

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 5,619,767	\$ 25,736,406
39,198	281,447
39,024	194,791
265,278	298,723
-	-
562,504	1,609,443
<u>3,974,042</u>	<u>3,974,042</u>
<u>\$ 10,499,813</u>	<u>\$ 32,094,852</u>
\$ 76,422	\$ 409,996
33,031	318,831
2,585	2,585
9,849	9,849
144,033	563,840
560,653	560,653
423,733	709,268
10,923	415,277
<u>1,261,229</u>	<u>2,990,299</u>
282,302	282,302
265,278	298,723
2,319,742	2,319,742
5,004,232	5,004,232
-	1,166,098
-	342,938
-	278,995
-	1,200,000
-	875,424
-	9,438,309
-	2,862,051
-	-
-	3,668,709
<u>9,238,584</u>	<u>29,104,553</u>
<u>\$ 10,499,813</u>	<u>\$ 32,094,852</u>

CITY OF BANNING**Exhibit D**

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2005**

Fund balances of governmental funds	\$ 29,104,553
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.	75,174,752
Bond issuance costs is an expenditure in the governmental funds, but it is deferred charges in the statement of net assets:	
Debt issuance costs on bonds issued	679,767
Amortization over life of new bonds through end of fiscal year	(42,045)
Long-term debt and compensated absences have not been included in the governmental fund activity:	
Long-term debt	(19,145,857)
Compensated absences	(946,259)
Accrued interest payable for the current portion of interest due on Tax Allocation Bonds has not been reported in the governmental funds.	(298,941)
Revenue not received within 60 days and recorded as deferred revenue in the governmental funds. These revenues are recorded as intergovernmental revenues in the governmental fund activity.	563,840
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>2,132,432</u>
Net assets of governmental activities	<u>\$ 87,222,242</u>

CITY OF BANNING

Exhibit E

**STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005**

	Capital Projects		Other Governmental Funds	Total Governmental Funds
	Fund General	Redevelopment Agency		
Revenues:				
Taxes	\$ 7,131,330	\$ 502,511	\$ 2,693,049	\$ 10,326,890
Licenses and permits	337,457	-	-	337,457
Intergovernmental	1,636,428	-	802,914	2,439,342
Contribution from property owners	-	-	2,431,942	2,431,942
Charges for services	2,888,052	-	96,574	2,984,626
Use of money and property	255,906	231,859	679,755	1,167,520
Fines and forfeitures	361,330	-	-	361,330
Miscellaneous	176,424	73,999	779,345	1,029,768
Developer participation	-	-	17,897	17,897
Total Revenues	12,786,927	808,369	7,501,476	21,096,772
Expenditures:				
Current:				
General government	2,014,484	852,008	107,128	2,973,620
Public safety	7,330,411	-	185,228	7,515,639
Public works	1,552,253	-	1,159,662	2,711,915
Parks and recreation	745,006	-	73,867	818,873
Capital outlay	762,352	175,994	765,378	1,703,724
Debt service:				
Principal retirement	-	-	580,000	580,000
Interest and fiscal charges	-	-	940,534	940,534
Contributions to agency funds	7,184	-	-	7,184
Total Expenditures	12,411,690	1,028,002	3,811,797	17,251,489
Excess (Deficiency) of Revenues Over (Under) Expenditures	375,237	(219,633)	3,689,679	3,845,283
Other Financing Sources (Uses):				
Transfers in	160,000	1,149,366	776,553	2,085,919
Transfers out	(301,896)	(194,873)	(1,353,650)	(1,850,419)
Total Other Financing Sources (Uses)	(141,896)	954,493	(577,097)	235,500
Net Change in Fund Balances	\$ 233,341	\$ 734,860	\$ 3,112,582	\$ 4,080,783
Fund Balances:				
Beginning of Year, as originally reported	\$ 7,332,268	\$ 11,565,500	\$ 6,203,057	\$ 25,100,825
Restatements	-	-	(77,055)	(77,055)
Beginning of Year, as restated	7,332,268	11,565,500	6,126,002	25,023,770
Net Change in Fund Balances	233,341	734,860	3,112,582	4,080,783
End of Year	\$ 7,565,609	\$ 12,300,360	\$ 9,238,584	\$ 29,104,553

See Notes to Financial Statements

CITY OF BANNING

Exhibit F

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005**

Net change in fund balances - total governmental funds	\$ 4,080,783
Amounts reported for governmental activities in the statement of activities differ from the amounts reported in the statement of activities 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.	10,974,968
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net assets.	550,292
Accrued interest for Tax Allocation Bonds. This is the net change in accrued interest for the current period.	4,887
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.	(110,165)
Revenues not received within 60 days are not recognized and deferred in the governmental funds. They are fully accrued in the governmental activities.	387,527
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 are reported with governmental activities.	487,871
Change in net assets of governmental activities	<u>\$ 16,376,163</u>

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CITY OF BANNING
BUDGETARY COMPARISON STATEMENT
GENERAL FUND
YEAR ENDED JUNE 30, 2005

Exhibit G
Page 1 of 2

				Variance with Final Budget Positive (Negative)	
	Budget Amounts		Actual Amounts		
	Original	Final			
Budgetary Fund Balance, July 1	\$ 7,332,268	\$ 7,332,268	\$ 7,332,268	\$ -	
Resources (Inflows):					
Taxes:					
Sales and use	2,468,000	2,478,000	2,690,489	212,489	
Property	2,768,401	3,003,172	3,214,050	210,878	
Franchise	386,197	394,980	416,716	21,736	
Transient occupancy	160,000	160,000	192,640	32,640	
Other	526,125	551,125	617,435	66,310	
Subtotal	6,308,723	6,587,277	7,131,330	544,053	
Licenses and permits:					
Building permits	335,000	335,000	271,790	(63,210)	
Other permits	31,074	41,274	65,667	24,393	
Subtotal	366,074	376,274	337,457	(38,817)	
Fines, forfeitures and penalties:					
Parking fines	10,500	20,500	30,319	9,819	
Court fines and other fines	406,500	381,500	331,011	(50,489)	
Subtotal	417,000	402,000	361,330	(40,670)	
Use of money and property:					
Interest and rents	140,554	343,611	255,906	(87,705)	
Subtotal	140,554	343,611	255,906	(87,705)	
Intergovernmental:					
State motor vehicle in-lieu fee	204,375	140,297	584,356	444,059	
Other intergovernmental revenues	78,415	966,658	1,052,072	85,414	
Subtotal	282,790	1,106,955	1,636,428	529,473	
Charges for services:					
Engineering, police, fire and other fees	696,302	871,338	1,128,065	256,727	
Recreation fees	58,300	58,300	52,487	(5,813)	
Interfund charges	1,707,500	1,707,500	1,707,500	-	
Subtotal	2,462,102	2,637,138	2,888,052	250,914	
Fines and forfeitures					
Other	77,050	193,375	176,424	(16,951)	
Transfers from other funds	205,000	160,000	160,000	-	
Amounts Available for Appropriation	10,259,293	11,806,630	12,946,927	1,140,297	

See Notes to Financial Statements

CITY OF BANNING
BUDGETARY COMPARISON STATEMENT
GENERAL FUND
YEAR ENDED JUNE 30, 2005

Exhibit G
Page 2 of 2

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)		
	Original	Final				
Charges to Appropriation (Outflow):						
General government:						
City council	\$ 159,310	\$ 159,310	\$ 159,893	\$ (583)		
City manager	152,568	215,100	131,474	83,626		
Personnel	135,928	199,972	276,873	(76,901)		
City clerk	108,616	114,688	110,631	4,057		
Elections	25,500	32,332	23,112	9,220		
City attorney	52,025	158,293	156,496	1,797		
Finance	128,411	161,003	112,174	48,829		
Community enhancement	85,837	94,484	88,873	5,611		
Central services	981,120	989,985	954,958	35,027		
Subtotal	1,829,315	2,125,167	2,014,484	110,683		
Public safety:						
Police	5,082,178	5,697,094	5,592,760	104,334		
Animal control	124,000	124,000	124,304	(304)		
Fire	1,675,681	1,897,690	1,613,347	284,343		
Subtotal	6,881,859	7,718,784	7,330,411	388,373		
Public works:						
Building safety	555,091	717,483	666,293	51,190		
Planning	225,915	616,985	550,564	66,421		
Engineering	251,109	316,912	269,344	47,568		
Building maintenance	113,028	84,830	66,052	18,778		
Subtotal	1,145,143	1,736,210	1,552,253	183,957		
Parks						
Recreation	432,798	408,580	350,367	58,213		
Subtotal	414,654	439,002	394,639	44,363		
Capital outlay	184,200	1,343,396	762,352	581,044		
Transfers out	286,117	309,080	301,896	7,184		
Contribution to agency funds	-	-	7,184	(7,184)		
Total Charges to Appropriations	11,174,086	14,080,219	12,713,586	1,366,633		
Budgetary Fund Balance, June 30	\$ 6,417,475	\$ 5,058,679	\$ 7,565,609	\$ 2,506,930		

See Notes to Financial Statements

CITY OF BANNING
STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2005

	Water Utility	Electric Utility	Wastewater Utility
Assets:			
Current:			
Cash and investments	\$ 9,875,344	\$ 24,900,304	\$ 10,974,041
Receivables:			
Accounts	994,208	2,614,472	307,854
Interest	65,472	165,879	73,031
Loans	4,632	1,885	-
Due from other funds	-	-	5,805
Due from other governments	297,402	-	-
Inventories	214,731	1,031,515	-
Deposits with other agencies	-	1,331,514	-
Total Current Assets	11,451,789	30,045,569	11,360,731
Restricted:			
Cash and investments	-	947,915	-
Cash with fiscal agent	565,861	-	313,995
Total Restricted Assets	565,861	947,915	313,995
Noncurrent:			
Unamortized debt issuance costs	209,760	-	73,879
Advances to other funds	-	560,653	211,245
Capital assets - net of accumulated depreciation	22,675,898	14,109,418	12,253,709
Total Noncurrent Assets	22,885,658	14,670,071	12,538,833
Total Assets	\$ 34,903,308	\$ 45,663,555	\$ 24,213,559
Liabilities and Net Assets:			
Liabilities:			
Current:			
Accounts payable	\$ 144,360	\$ 912,676	\$ 14,178
Accrued payroll payable	40,579	80,687	4,467
Accrued interest payable	30,517	-	68,324
Deposits payable	87,745	293,446	85,659
Unearned revenues	-	-	-
Bonds, notes and loans payable	225,000	-	396,803
Total Current Liabilities	528,201	1,286,809	569,431
Noncurrent:			
Advances from other funds	-	-	-
Compensated absences	171,234	131,386	17,396
Claims and judgments	-	-	-
Bonds, notes and loans payable	4,285,000	-	5,439,947
Total Noncurrent Liabilities	4,456,234	131,386	5,457,343
Total Liabilities	4,984,435	1,418,195	6,026,774
Net Assets:			
Invested in capital assets, net of related debt	18,165,898	14,109,418	6,416,959
Restricted for debt service	565,861	-	313,995
Unrestricted	11,187,114	30,135,942	11,455,831
Total Net Assets	29,918,873	44,245,360	18,186,785
Total Liabilities and Net Assets	\$ 34,903,308	\$ 45,663,555	\$ 24,213,559

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 fund activities related to the enterprise funds

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

Net Assets: Business-Type Activities

Exhibit H

Other Enterprise Funds	Totals	Governmental Activities - Internal Service Funds
\$ 586,415	\$ 46,336,104	\$ 2,892,555
313,579	4,230,113	57,866
4,041	308,423	15,611
-	6,517	6,307
-	5,805	-
78,367	375,769	10,538
3,859	1,250,105	64,285
-	1,331,514	-
986,261	53,844,350	3,047,162
-	947,915	-
-	879,856	-
-	1,827,771	-
-	283,639	-
-	771,898	-
2,939,189	51,978,214	559,280
2,939,189	53,033,751	559,280
\$ 3,925,450	\$ 108,705,872	\$ 3,606,442
\$ 194,211	\$ 1,265,425	\$ 74,140
22,894	148,627	56,460
-	98,841	-
64,670	531,520	928
111,401	111,401	-
-	621,803	-
393,176	2,777,617	131,528
211,245	211,245	-
63,717	383,733	292,221
-	-	677,225
-	9,724,947	-
274,962	10,319,925	969,446
668,138	13,097,542	1,100,974
2,939,189	41,631,464	559,280
-	879,856	-
318,123	53,097,010	1,946,188
3,257,312	95,608,330	2,505,468
\$ 3,925,450	\$ 108,705,872	\$ 3,606,442
	\$ 95,608,330	
	20,334	
	352,701	
	\$ 95,981,365	

CITY OF BANNING
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2005

	Water Utility	Electric Utility	Wastewater Utility
Operating Revenues:			
Sales and service charges	\$ 6,353,367	\$ 20,617,000	\$ 2,332,396
Connection fees	67,871	28,170	-
Total Operating Revenues	6,421,238	20,645,170	2,332,396
Operating Expenses:			
Salaries and benefits	1,124,668	1,624,134	116,785
Supplies and services	2,629,412	3,229,070	1,416,888
Repairs and maintenance	4,146	95,370	34,482
Street lighting costs	-	206,289	-
Power purchased for resale	-	11,800,211	-
Amortization	17,589	-	5,473
Insurance premiums	-	-	-
Depreciation	808,764	843,373	824,802
Total Operating Expenses	4,584,579	17,798,447	2,398,430
Operating Income (Loss)	1,836,659	2,846,723	(66,034)
Nonoperating Revenues (Expenses):			
Taxes	-	-	-
Intergovernmental	297,402	-	-
Interest revenue	196,488	544,086	221,315
Interest expense	(340,205)	-	(263,190)
Miscellaneous	1,649,736	429,085	1,400,386
Total Nonoperating Revenues (Expenses)	1,803,421	973,171	1,358,511
Income (Loss) Before Transfers	3,640,080	3,819,894	1,292,477
Transfers in	1,489,264	1,283,200	295,100
Transfers out	(1,512,264)	(1,288,200)	(397,600)
Changes in Net Assets	\$ 3,617,080	\$ 3,814,894	\$ 1,189,977
Net Assets:			
Beginning of Fiscal Year, as originally reported	\$ 26,301,793	\$ 40,430,466	\$ 16,996,808
Restatements	-	-	-
Beginning of Fiscal Year, as restated	26,301,793	40,430,466	16,996,808
Changes in Net Assets	3,617,080	3,814,894	1,189,977
End of Fiscal Year	\$ 29,918,873	\$ 44,245,360	\$ 18,186,785

Changes in Net Assets, Enterprise Funds
 Adjustment to reflect the consolidation of internal service
 activities related to enterprise funds

Changes in Net Assets of Business-Type Activities

See Notes to Financial Statements

Exhibit I

Other Enterprise Funds	Totals	Governmental Activities- Internal Service Funds
\$ 2,698,598	\$ 32,001,361	\$ 4,536,506
- 96,041		-
2,698,598	32,097,402	4,536,506
652,676	3,518,263	1,606,167
2,756,582	10,031,952	1,413,528
10,212	144,210	89,674
- 206,289		-
- 11,800,211		-
- 23,062		-
- 645,688		
378,932	2,855,871	91,065
3,798,402	28,579,858	3,846,122
(1,099,804)	3,517,544	690,384
942,781	942,781	-
520,983	818,385	-
9,231	971,120	50,504
(4,724)	(608,119)	-
14,437	3,493,644	99,685
1,482,708	5,617,811	150,189
382,904	9,135,355	-
- 3,067,564		-
(105,000)	(3,303,064)	-
\$ 277,904	\$ 8,899,855	\$ 840,573
\$ 2,980,113	\$ 86,709,180	\$ 1,650,024
(705)	(705)	14,871
2,979,408	86,708,475	1,664,895
277,904	8,899,855	840,573
\$ 3,257,312	\$ 95,608,330	\$ 2,505,468
	\$ 8,899,855	
	352,701	
	\$ 9,252,556	

CITY OF BANNING

Exhibit J
Page 1 of 2STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Water Utility	Electric Utility	Wastewater Utility	Other Enterprise Funds	Totals	Governmental Activities-Internal Service Funds
Cash Flows from Operating Activities:						
Cash received from customers and users	\$ 6,182,936	\$ 20,078,133	\$ 2,311,965	\$ 2,654,828	\$ 31,227,862	\$ -
Cash received from interfund service provided	-	-	-	-	-	4,558,326
Cash received from miscellaneous revenues	1,352,334	429,085	1,400,386	1,117,088	4,298,893	91,785
Cash paid to suppliers for goods and services	(2,670,411)	(15,025,435)	(1,480,425)	(3,046,659)	(22,222,930)	(1,506,077)
Cash paid to employees for services	(1,055,995)	(1,571,320)	(109,882)	(629,333)	(3,366,530)	(1,541,191)
Cash paid for claims	-	-	-	-	-	(1,109,899)
Net Cash Provided (Used) by Operating Activities	3,808,864	3,910,463	2,122,044	95,924	9,937,295	492,944
Cash Flows from Noncapital Financing Activities:						
Cash transfer to other funds	(1,512,264)	(1,288,200)	(397,600)	(105,000)	\$ (3,303,064)	-
Cash transfer from other funds	1,489,264	1,283,200	295,100	-	3,067,564	-
Due from other funds	-	-	285,586	-	285,586	-
Repayment of advances	-	53,794	45,000	(45,000)	53,794	-
Intergovernmental	297,402	-	-	520,983	818,385	-
Net Cash Provided (Used) by Noncapital Financing Activities	274,402	48,794	228,086	370,983	922,265	-
Cash Flows from Capital and Related Financing Activities:						
Purchases, acquisition and construction of capital assets	(1,324,837)	(669,897)	(145,923)	(572,248)	(2,712,905)	(46,359)
Principal paid on capital debt	(205,000)	-	(381,689)	-	(586,689)	-
Interest paid on capital debt	(402,568)	-	(344,326)	(4,724)	(751,618)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,932,405)	(669,897)	(871,938)	(576,972)	(4,051,212)	(46,359)
Cash Flows from Investing Activities:						
Interest received	155,589	453,721	180,117	8,472	797,899	42,391
Net Cash Provided (Used) by Investing Activities	155,589	453,721	180,117	8,472	797,899	42,391
Net Increase (Decrease) in Cash and Cash Equivalents	2,306,450	3,743,081	1,658,309	(101,593)	7,606,247	488,976
Cash and Cash Equivalents at Beginning of Year	8,134,755	22,105,138	9,629,727	688,008	40,557,628	2,403,579
Cash and Cash Equivalents at End of Year	\$ 10,441,205	\$ 25,848,219	\$ 11,288,036	\$ 586,415	\$ 48,163,875	\$ 2,892,555

See Notes to Financial Statements

CITY OF BANNING
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Exhibit J
Page 2 of 2

	Water Utility	Electric Utility	Wastewater Utility	Other Enterprise Funds	Totals	Governmental Activities-Internal Service Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating income (loss)	\$ 1,836,659	\$ 2,846,723	\$ (66,034)	\$ (1,099,804)	\$ 3,517,544	\$ 690,384
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation and amortization	826,353	843,373	830,275	378,932	2,878,933	91,065
Miscellaneous revenues	1,649,736	429,085	1,400,386	957,218	4,436,425	99,685
(Acrease) decrease in accounts receivable	(238,302)	(567,037)	(20,431)	(43,770)	(869,540)	21,820
(Acrease) decrease in loans receivable	824	2,357	-	159,870	163,051	281
(Acrease) decrease in inventories	(32,030)	(234,131)	-	11,996	(254,165)	(25,987)
(Acrease) decrease in due from other governments	(297,402)	-	-	(230,441)	(527,843)	(7,900)
(Acrease) decrease in prepaid expense	-	-	-	6,133	6,133	-
(Acrease) decrease in deposits with other agencies	-	947,915	-	4,580	952,495	-
Increase (decrease) in accounts payable	(21,873)	(447,323)	(36,224)	(66,000)	(571,420)	22,831
Increase (decrease) in accrued liabilities	11,583	37,634	1,267	17,210	67,694	16,712
Increase (decrease) in deposits payable	16,226	36,687	7,169	-	60,082	-
Increase (decrease) in compensated absences	57,090	15,180	5,636	-	77,906	48,264
Increase (decrease) in claims payable	-	-	-	-	-	(464,211)
Total Adjustments	1,972,205	1,063,740	2,188,078	1,195,728	6,419,751	(197,440)
Net Cash Provided (Used) by Operating Activities	\$ 3,808,864	\$ 3,910,463	\$ 2,122,044	\$ 95,924	\$ 9,937,295	\$ 492,944

Schedule of Noncash Transactions:

There were no noncash transactions during the year.

C ITY OF BANNING

Exhibit K

STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2005

	Agency Funds
Assets:	
Cash and investments	\$ 417,556
Receivables:	
Accounts	3,216
Interest	2,340
Due from other governments	9,478
Due from other funds	5
Restricted assets:	
Cash with fiscal agent	<u>948,086</u>
Total Assets	<u>\$ 1,380,681</u>
Liabilities:	
Accounts payable	\$ 403
Deposits	14,457
Due to other funds	3,225
Due to bondholders	<u>1,362,596</u>
Total Liabilities	<u>\$ 1,380,681</u>

CITY OF BANNING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

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.

b. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) 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.

City of Banning**Notes to Financial Statements (Continued)****Note 1: Organization and Summary of Significant Accounting Policies (Continued)**

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.

The City reports the following major governmental fund:

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 Community Redevelopment Agency Capital Projects Fund accounts for financial resources used for the acquisition of major capital facilities.

The City reports the following major proprietary funds:

The Water Utility Fund is used to account for the construction, operation and maintenance of the City's water service area.

City of Banning
Notes to Financial Statements (Continued)

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

The Wastewater Utility Fund is used to account for the costs of labor and materials, construction and consumption of wastewater services within the City's wastewater service area.

Additionally, the City reports the following fund types:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The Capital Projects Funds account for the financial resources to be used for the acquisition or construction of major capital facilities.

The Debt Service Funds account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency for other departments or agencies of the City, or to other governments, on a cost reimbursement basis.

The Agency Funds are used to report resources held by the City in a purely custodial capacity, which involves only the receipt, temporary investment and remittance of fiduciary resources to individuals, private organizations or other governments.

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.

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.

City of Banning
Notes to Financial Statements (Continued)

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

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".

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. Available means then due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter (not to exceed 60 days) to be used to pay liabilities of the current period. 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:

**City of Banning
Notes to Financial Statements (Continued)**

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

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

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

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

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

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

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

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.

City of Banning**Notes to Financial Statements (Continued)****Note 1: Organization and Summary of Significant Accounting Policies (Continued)****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, is depreciated using the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Buildings	20 - 50
Improvements	15 - 25
Machinery and Equipment	5 - 25
Water Lines	40 - 50
Vehicles	5 - 10
Utility Plant	20 - 60
Computer Software	3

Compensated Absences

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

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

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

**City of Banning
Notes to Financial Statements (Continued)**

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

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

Compensatory Time may be accrued in the following manner: Police up to 80 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 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 or compensatory time, or any combination thereof, annually. Beginning with the 11th year of service, all employees have the option to convert their sick leave bank less 40 hours to deferred compensation or the City's Retiree Health Savings Plan. Upon separation, 100% of the value of unused sick leave - 40 hours can be contributed to deferred comp or the Retiree Health Savings Plan.

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

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

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

City of Banning
Notes to Financial Statements (Continued)

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

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

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

Claims and Judgments

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

Long-Term Obligations

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

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

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

e. Reconciliation of Government-Wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between fund balance - governmental funds and net assets of governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term debt has not been included in the governmental fund activity." The detail of the (\$19,145,857) long-term debt difference is as follows:

City of Banning
Notes to Financial Statements (Continued)

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

Long-term debt:	
Certificates of participation payable	\$ (5,470,000)
Tax allocation bonds payable	(13,735,000)
Deferred discount on bonds	
(to be amortized over life of debt)	<u>59,143</u>
Net adjustment to reduce fund balance of total governmental funds to arrive at net assets of governmental activities	<u>\$ (19,145,857)</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 details of this \$10,974,968 difference are as follows:

Capital outlay	\$ 14,037,274
Less: depreciation expense	<u>(3,062,306)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 10,974,968</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 \$550,292 difference are as follows:

Debt issued or incurred:	
Debt issuance costs	\$ (27,191)
Bond discount	(2,517)
Principal repayments:	
Certificates of participation	220,000
Tax allocation bonds	<u>360,000</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>\$ 550,292</u>

**City of Banning
Notes to Financial Statements (Continued)**

II. STEWARDSHIP

Note 2: Stewardship, Compliance and Accountability

a. Budgets and Budgetary Accounting

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

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

Budgetary comparison is provided in the accompanying financial statements for the General Fund, Special Revenue Funds, Capital Projects Funds and Debt Service Funds. Budgeted revenue and expenditure amounts shown represent the City's originally adopted legal budget adjusted for unanticipated revenues and appropriations during the course of the fiscal year. Budget amounts, as adjusted, reported for the governmental funds of the City are adopted on a basis consistent with generally accepted accounting principles (GAAP).

b. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, are employed as an extension of formal budgetary integration in the governmental fund types. Encumbrances outstanding at the end of the year are cleared out and re-appropriated in the following year's budget. The City had no outstanding encumbrances at the end of the year.

III. DETAILED NOTES ON ALL FUNDS

Note 3: Cash and Investments

As of June 30, 2005, cash and investments were reported in the accompanying financial statements as follows:

Governmental activities	\$ 32,603,003
Business-type activities	48,163,875
Fiduciary funds	<u>1,365,642</u>
Total Cash and Investments	<u>\$ 82,132,520</u>

The City of Banning maintains a cash and investment pool that is available for use for all funds. Each fund type's position in the pool is reported on the combined balance sheet as cash and investments. The City has adopted an investment policy, which authorizes it to invest in various investments.

**City of Banning
Notes to Financial Statements (Continued)**

Note 3: Cash and Investments (Continued)

Deposits

At June 30, 2005, the carrying amount of the City's deposits was \$608,506, and the bank balance was \$798,897. The \$190,391 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 \$100,000 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:

- Bonds issued by local agency
- Treasury obligations
- State of California obligations
- Obligation of California local agency
- Obligations issued by Federal Agencies, and U.S. and Government sponsored enterprises
- Bankers acceptances
- Commercial paper
- Negotiable C.D.'s
- Repurchase agreements/Reverse repurchase agreements
- Medium term notes
- Mutual funds
- Investments as permitted by provision in agreements of indebtedness
- Asset secured indebtedness
- Collateralized mortgage obligations

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.

City of Banning
Notes to Financial Statements (Continued)

Note 3: Cash and Investments (Continued)

Investments in State Investment Pool

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

GASB Statement No. 31

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

Credit Risk

The City's investment policy does not limit investments in Federal Agency Securities to ratings issued by nationally recognized statistical rating organizations. As of June 30, 2005 the City's investments in Federal Agency Securities consisted of investments with Federal Home Loan Bank Bonds, Federal Home Loan Mortgage Corporate Notes and Federal Farm Credit. At June 30, 2005 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, 2005 the City's investments in external investment pools are unrated.

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

As of June 30, 2005, none of the City's deposits or investments was exposed to custodial credit risk.

Concentration of Credit Risk

The City's investment policy imposes restrictions on the percentage that the City can invest in certain types of investments. As of June 30, 2005, in accordance with GASB 40 requirements, the City has not invested more than 5% of its total investments in any one issuer. Investments guaranteed by the U.S. government and investments in mutual funds and external investment pools are excluded from this requirement.

Interest Rate Risk

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

City of Banning
Notes to Financial Statements (Continued)

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

As of June 30, 2005 the City had the following investments and original maturities:

Investment Type	Remaining Investment Maturities			
	6 months or less	6 months to 1 year	1 to 3 years	Fair Value
Federal Agency Securities	\$ -	\$ 2,972,357	\$ 5,962,984	\$ 8,935,341
Local Agency Investment Fund	65,718,725	-	-	65,718,725
Money Market	1,067,963	-	-	1,067,963
Cash with Fiscal Agents:				
Money Market	5,801,985	-	-	5,801,985
Total	<u>\$ 72,588,673</u>	<u>\$ 2,972,357</u>	<u>\$ 5,962,984</u>	<u>\$ 81,524,014</u>

Note 4: Interfund Receivables, Payables and Transfers

The composition of interfund balances as of June 30, 2005 is as follows:

Due To/From Other Funds

Funds	Due To Other Funds		
	Nonmajor Governmental Funds	Fiduciary Funds	Total
Due From Other Funds:			
Wastewater Utility	\$ 2,585	\$ 3,220	\$ 5,805
Fiduciary Funds	-	5	5
Total	<u>\$ 2,585</u>	<u>\$ 3,225</u>	<u>\$ 5,810</u>

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

Advances To/From Other Funds

Funds	Advances to Other Funds:		
	Electric Utility	Wastewater Utility	Total
Advances from Other Funds:			
Debt Service Fund -			
Redevelopment Agency	\$ 560,653	\$ -	\$ 560,653
Nonmajor Enterprise	-	211,245	211,245
Total	<u>\$ 560,653</u>	<u>\$ 211,245</u>	<u>\$ 771,898</u>

During the current and previous fiscal years, the City of Banning has made loans to the Agency. These loans bear interest at rates up to 12% per annum depending upon when the loan was initiated. The City 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, 2005, loans to and accrued unpaid interest owed on those loans was \$560,653. The Airport Enterprise Fund has received funds from the Wastewater Utility Enterprise Fund totaling \$346,245 for the acquisition of airport hangars. The outstanding balance at June 30, 2005 was \$211,245. There is no definite repayment data.

City of Banning
Notes to Financial Statements (Continued)

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

Interfund Transfers

Funds	Transfers Out:								Totals
	General Fund	Capital Projects RDA	Debt Service RDA	Water Utility	Electric Utility	Wastewater Utility	Nonmajor Governmental Funds	Nonmajor Proprietary Funds	
Transfers In:									
General	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 160,000	\$ -	\$ 160,000
Capital Projects RDA	-	-	1,149,366	-	-	-	-	-	1,149,366
Debt Service RDA	-	194,873	-	-	-	-	-	-	194,873
Water Utility	-	-	-	1,489,264	-	-	-	-	1,489,264
Electric Utility	-	-	-	-	1,283,200	-	-	-	1,283,200
Wastewater Utility	-	-	-	-	-	295,100	-	-	295,100
Nonmajor Governmental Funds	<u>301,896</u>	<u>-</u>	<u>-</u>	<u>23,000</u>	<u>5,000</u>	<u>102,500</u>	<u>44,284</u>	<u>105,000</u>	<u>581,680</u>
Totals	\$ 301,896	\$ 194,873	\$ 1,149,366	\$ 1,512,264	\$ 1,288,200	\$ 397,600	\$ 204,284	\$ 105,000	\$ 5,153,483

During the year, certain funds made payments to the General Fund for administrative costs incurred. These transfers to the General Fund for the year were \$160,000.

Amounts were transferred from the Capital Projects RDA Fund to the Debt Service RDA Fund for the Low and Moderate Housing portion of debt service. Amounts were transferred from the Debt Service RDA Fund to the Capital Projects RDA Fund for administrative costs. Transfers out of the General, Water, Electric, Wastewater, Nonmajor Governmental Funds and Nonmajor Proprietary Funds to other Nonmajor Governmental Funds are to pay certain costs incurred in other Nonmajor governmental funds.

Note 5: Changes in Capital Assets

Capital asset activity for the year ended June 30, 2005 follows:

City of Banning
Notes to Financial Statements (Continued)

Note 5: Changes in Capital Assets (Continued)

	Beginning Balance	Adjustments	Adjusted Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:						
Capital assets, not being depreciated:						
Land	\$ 2,846,400	\$ -	\$ 2,846,400	\$ -	\$ -	\$ 2,846,400
Construction-in-progress	867,691	1,431,944	2,299,635	226,213	2,081,928	443,920
Total Capital Assets, Not Being Depreciated	3,714,091	1,431,944	5,146,035	226,213	2,081,928	3,290,320
Capital assets, being depreciated:						
Buildings and structures	10,010,952	-	10,010,952	954,420	-	10,965,372
Land improvements	2,151,763	-	2,151,763	-	-	2,151,763
Machinery and equipment	2,875,643	-	2,875,643	178,105	152,378	2,901,370
Vehicles	2,300,518	14,870	2,315,388	447,039	225,373	2,537,054
Infrastructure	73,060,957	(645,890)	72,415,067	14,359,784	-	86,774,851
Total Capital Assets, Being Depreciated	90,399,833	(631,020)	89,768,813	15,939,348	377,751	105,330,410
Less accumulated depreciation:						
Buildings and structures	7,009,740	(457,683)	6,552,057	391,793	-	6,943,850
Land improvements	1,045,839	87,541	1,133,380	90,517	-	1,223,897
Machinery and equipment	1,587,111	199,749	1,786,860	344,339	152,378	1,978,821
Vehicles	1,620,633	170,391	1,791,024	190,735	225,373	1,756,386
Infrastructure	18,847,757	-	18,847,757	2,135,987	-	20,983,744
Total Accumulated Depreciation	30,111,080	(2)	30,111,078	3,153,371	377,751	32,886,698
Total Capital Assets, Being Depreciated, Net	60,288,753	(631,018)	59,657,735	12,785,977	-	72,443,712
Governmental Activities Capital Assets, Net	\$ 64,002,844	\$ 800,926	\$ 64,803,770	\$ 13,012,190	\$ 2,081,928	\$ 75,734,032

City of Banning
Notes to Financial Statements (Continued)

Note 5: Changes in Capital Assets (Continued)

	Beginning Balance	Adjustments	Adjusted Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:						
Capital assets, not being depreciated:						
Land	\$ 1,184,229	\$ -	\$ 1,184,229	\$ -	\$ -	\$ 1,184,229
Construction-in-progress	4,772,216	-	4,772,216	725,751	4,311,378	1,186,589
Total Capital Assets, Not Being Depreciated	<u>5,956,445</u>	<u>-</u>	<u>5,956,445</u>	<u>725,751</u>	<u>4,311,378</u>	<u>2,370,818</u>
Capital assets, being depreciated:						
Airport master plan	38,875	-	38,875	-	-	38,875
Buildings and structures	519,247	-	519,247	-	-	519,247
Improvements	1,328,600	-	1,328,600	775,497	29,158	2,074,939
Machinery and equipment	9,175	-	9,175	5,500	9,175	5,500
Utility plant	80,505,387	-	80,505,387	5,499,964	196,877	85,808,474
Total Capital Assets, Being Depreciated	<u>82,401,284</u>	<u>-</u>	<u>82,401,284</u>	<u>6,280,961</u>	<u>235,210</u>	<u>88,447,035</u>
Less accumulated depreciation:						
Airport master plan	38,875	-	38,875	-	-	38,875
Buildings and structures	323,937	234	324,171	10,038	-	334,209
Improvements	553,252	34,332	587,584	89,895	29,158	648,321
Machinery and equipment	-	9,267	9,267	1,100	9,175	1,192
Utility plant	35,297,243	(38,162)	35,259,081	2,754,838	196,877	37,817,042
Total Accumulated Depreciation	<u>36,213,307</u>	<u>5,671</u>	<u>36,218,978</u>	<u>2,855,871</u>	<u>235,210</u>	<u>38,839,639</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 46,187,977</u>	<u>\$ (5,671)</u>	<u>\$ 46,182,306</u>	<u>\$ 3,425,090</u>	<u>\$ -</u>	<u>\$ 49,607,396</u>
Business-Type Activities Capital Assets, Net	<u>\$ 52,144,422</u>	<u>\$ (5,671)</u>	<u>\$ 52,138,751</u>	<u>\$ 4,150,841</u>	<u>\$ 4,311,378</u>	<u>\$ 51,978,214</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General government	\$ 461,764
Public safety	358,863
Public works	2,205,277
Parks and recreation	36,402
Internal service funds	<u>91,065</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 3,153,371</u>
Business-Type Activities:	
Airport	\$ 101,033
Transit	277,899
Water utility	808,764
Electric utility	843,373
Wastewater utility	<u>824,802</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 2,855,871</u>

**City of Banning
Notes to Financial Statements (Continued)**

Note 6: Loans Receivable

The City has entered into various loan agreements with various employees of the City. The amounts loaned to employees are for purchases of computers and firearms. The loans are non-interest bearing and are repaid through payroll withholding.

\$ 49,161

Note 7: 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:

Fund	Gross Receivable	Allowance For Doubtful Accounts	Net Receivable
Water	\$ 1,020,397	\$ 26,189	\$ 994,208
Electric	2,664,568	50,096	2,614,472
Wastewater	313,724	5,870	307,854
Airport	1,973	-	1,973
Transit	2,196	-	2,196
Refuse	<u>317,371</u>	<u>7,961</u>	<u>309,410</u>
Totals	<u>\$ 4,320,229</u>	<u>\$ 90,116</u>	<u>\$ 4,230,113</u>

Note 8: Loan Receivable - Sunset Auto Plaza

On October 1, 1999 the Redevelopment Agency (Seller) entered into an agreement whereby the Agency sold a parcel of land held for investment purposes to Sunset Chevrolet/Oldsmobile, Inc. (buyer). The purchase price was \$900,000 and the buyer has issued a promissory note secured by a deed of trust for that amount. Interest on the note is 5.265% and is compounded annually. Repayment of the note is through quarterly installments of \$18,261. The note is due October 1, 2019. The note is additionally reduced each quarter by 80% of the sales tax generated by the buyer that exceeds \$40,000. This amount does not reduce the minimum quarterly payment but actually reduces the repayment period. As of June 30, 2005, the loan receivable balance was \$262,386.

Note 9: 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, 2005 amounted to \$1,331,514.

City of Banning
Notes to Financial Statements (Continued)

Note 10: Long-Term Debt

The following is a summary of the changes in long-term debt for the fiscal year ended June 30, 2005:

	Balance at July 1, 2004	Incurred	Retired	Balance at June 30, 2005	Due Within One Year
Governmental Activities:					
1997 Refunding COPs	\$ 5,690,000	\$ -	\$ 220,000	\$ 5,470,000	\$ 230,000
2003 Tax Allocation Bonds	14,095,000	-	360,000	13,735,000	360,000
Employee Benefits Payable:					
Governmental Funds	836,094	330,635	220,470	946,259	141,939
Internal Service Funds	243,958	48,263	-	292,221	43,833
Total	\$ 20,865,052	\$ 378,898	\$ 800,470	20,443,480	\$ 775,772
Less:					
Unamortized original issue discount				59,143	
Net Governmental Activities				\$ 20,384,337	
Business-Type Activities:					
Water Utility COPs	\$ 4,715,000	\$ -	\$ 205,000	\$ 4,510,000	\$ 225,000
Wastewater Utility COPs	2,080,000	-	185,000	1,895,000	195,000
Wastewater Loan Payable	4,138,439	-	196,689	3,941,750	201,803
Employee Benefits Payable	288,617	102,656	7,540	383,733	57,560
Total	\$ 11,222,056	\$ 102,656	\$ 594,229	\$ 10,730,483	\$ 679,363

a. Certificates of Participation

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

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

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

**City of Banning
Notes to Financial Statements (Continued)**

Note 10: Long-Term Debt (Continued)

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

The Certificates maturing from 1997 to 2011 are serial certificates payable in annual installments of \$45,000 to \$305,000, while the Certificates maturing between 2012 and 2020 are term certificates with sinking fund payments payable in annual installments of \$320,000 to \$495,000. Interest is payable semi-annually on each May 1 and November 1, commencing November 1, 1997, at rates ranging from 4.0% to 5.5% per annum. The outstanding principal balance at June 30, 2005 was \$5,470,000.

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 230,000	\$ 286,343	\$ 516,343
2007	240,000	275,293	515,293
2008	250,000	263,439	513,439
2009	265,000	250,720	515,720
2010	275,000	237,083	512,083
2011-2015	1,610,000	944,102	2,554,102
2016-2020	2,105,000	437,937	2,542,937
2020-2024	495,000	13,611	508,611
Total	\$ 5,470,000	\$ 2,708,528	\$ 8,178,528

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.

City of Banning
Notes to Financial Statements (Continued)

Note 10: Long-Term Debt (Continued)

A reserve fund was established in the amount of \$972,264 from the bond proceeds for the benefit of the City and as security for the Bond owners. The bonds are further secured by a financial guarantee insurance policy. The bonds are a special obligation of the Banning Redevelopment Agency payable from tax revenues. The amount of bonds outstanding at June 30, 2005 totaled \$13,735,000.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 360,000	\$ 606,264	\$ 966,264
2007	370,000	596,214	966,214
2008	380,000	585,914	965,914
2009	390,000	575,801	965,801
2010	400,000	564,439	964,439
2011-2015	2,215,000	2,583,503	4,798,503
2016-2020	2,730,000	2,054,208	4,784,208
2021-2025	3,455,000	1,307,625	4,762,625
2026-2029	3,435,000	354,375	3,789,375
Total	\$ 13,735,000	\$ 9,228,343	\$ 22,963,343

c. Certificates of Participation, Water Utility Enterprise Fund

1. On November 1, 1986, \$4,055,000 of Certificates of Participation (Certificates) was issued to finance repairs, extensions and improvements to the water system of the City and to retire certain outstanding indebtedness of the City. The Banning Public Facilities Corporation (Corporation) executed and delivered the Certificates. The Corporation, pursuant to a trust agreement, assigned all of its rights under the agreement to the Trustee for the benefit of the owners of the Certificates. Each Certificate represents a proportionate interest in an installment sale agreement of the aforementioned project between the City and the Corporation as a seller. Under the agreement, the City has covenanted that it will establish, maintain and collect all income, rents, rates, fees, charges and other revenue derived from the ownership or operation of the water system, which will ensure gross revenues sufficient in each year to provide net revenues equal to at least 1.25 times the installment payments in each fiscal year. A reserve fund in the amount of \$337,409 was established from Certificate proceeds for the benefit of the City and as security for the owners of the Certificates. Since the Corporation is not at risk for the installment sale payments and the Certificates are to be repaid from resources generated by the Water Utility Enterprise Fund, the Certificates are recorded as long-term debt in the Water Utility Enterprise Fund.

The Certificates maturing 1989 to 2001 are serial certificates payable in annual installments of \$55,000 to \$115,000, while the term certificates mature between 2003 and 2016. Interest is payable semi-annually on each May 1 and November 1 commencing May 1, 1987, at rates ranging from 4.6% to 7.0% per annum. The outstanding principal balance at June 30, 2005 was \$2,620,000.

2. On January 1, 1989, \$2,585,000 of Certificates of Participation (Certificates) was issued to finance capital improvements to the City's water system. The Banning Public Facilities Corporation (Corporation) executed and delivered the Certificates. The Corporation, pursuant to a trust agreement, assigned all of its rights under the agreement to the Trustee for the benefit of the owners of the Certificates. Each Certificate represents a proportionate interest in an installment sale agreement of the

City of Banning
Notes to Financial Statements (Continued)

Note 10: Long-Term Debt (Continued)

aforementioned project between the City and the Corporation as a seller. Under the agreement the City has covenanted that it will establish, maintain and collect all income, rents, rates, fees, charges and other revenues derived from the ownership or operation of the water system which will ensure gross revenues sufficient in each year to provide net revenues equal to at least 1.25 times the installment payments in each fiscal year. A reserve fund in the amount of \$235,510 was established from Certificate proceeds for the benefit of the City and as security for the owners of the Certificates.

Since the Corporation is not at risk for the installment sale payments and the Certificates are to be repaid from resources generated by the Water Utility Enterprise Fund, the Certificates are recorded as long-term debt in the Water Utility Enterprise Fund.

The Certificates maturing 1991 to 2004 are serial certificates payable in annual installments of \$30,000 to \$65,000, while the term certificates mature between 2005 and 2019. Interest is payable semi-annually on each January 1 and July 1, commencing July 1, 1989, at rates ranging from 6.2% to 8.0% per annum. The outstanding principal balance at June 30, 2005 was \$1,890,000.

The total debt service requirements to maturity with respect to the Water Utility Enterprise Fund Certificates of Participation are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 225,000	\$ 324,430	\$ 549,430
2007	240,000	307,365	547,365
2008	260,000	288,867	548,867
2009	280,000	268,900	548,900
2010	295,000	247,633	542,633
2011-2015	1,855,000	858,932	2,713,932
2016-2020	1,355,000	161,900	1,516,900
Total	\$ 4,510,000	\$ 2,458,027	\$ 6,968,027

d. Certificates of Participation, Wastewater Utility Enterprise Fund

On January 1, 1989, \$3,740,000 of Certificates of Participation (Certificates) was issued to finance capital improvements to the City's wastewater system and to advance refund certain prior wastewater certificates. The Banning Public Facilities Corporation (Corporation) executed and delivered the Certificates. The Corporation, pursuant to a trust agreement, assigned all of its rights under the agreement to the Trustee for the benefit of the owners of the Certificates. Each Certificate represents a proportionate interest in an installment sale agreement of the aforementioned project between the City and the Corporation as a seller. Under the agreement, the City has covenanted that it will establish, maintain and collect all income, rents, rates, fees, charges and other revenues derived from the ownership or operation of the wastewater system, which will insure gross revenues sufficient in each year to provide net revenues equal to at least 1.25 times the installment payments in each fiscal year. A reserve fund in the amount of \$320,846 was established from Certificate proceeds for the City and as security for the owners of the Certificates. Since the Corporation is not at risk for the installment sale payments and the Certificates are to be repaid from resources generated by the Wastewater Utility Enterprise Fund, the Certificates are recorded as long-term debt in the Wastewater Utility Enterprise Fund.

City of Banning
Notes to Financial Statements (Continued)

Note 10: Long-Term Debt (Continued)

The Certificates maturing 1990 to 2004 are serial certificates payable in annual installments of \$65,000 to \$170,000, while the term certificates maturing 2005 to 2019 are term certificates payable in annual installments of \$60,000 to \$270,000. Interest is payable semi-annually on each January 1 and July 1, commencing July 1, 1989 at rates ranging from 6.1% to 8.0% per annum. The outstanding principal balance at June 30, 2005 was \$1,895,000.

The total debt service requirements to maturity with respect to the Wastewater Utility Enterprise Fund Certificates of Participation are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 195,000	\$ 143,800	\$ 338,800
2007	210,000	127,600	337,600
2008	225,000	110,200	335,200
2009	245,000	91,400	336,400
2010	270,000	70,800	340,800
2011-2015	350,000	234,000	584,000
2016-2019	400,000	66,800	466,800
Total	\$ 1,895,000	\$ 844,600	\$ 2,739,600

e. Loan Payable - California Water Resource Control Board

On March 17, 1999, the City entered into a loan contract with the California Water Resource Control Board (Board). The loan was to provide the City with assistance for the Wastewater treatment facility upgrade project. The loan amount was \$4,658,883 and is subject to an interest rate of 2.6% per annum. The loan is to be repaid within 20 years through 20 equal annual installments of principal and interest. The outstanding loan balance at June 30, 2005 was \$3,941,750. The loan is recorded in the Wastewater Utility Enterprise Fund.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 201,803	\$ 102,486	\$ 304,289
2007	207,050	97,239	304,289
2008	212,433	91,856	304,289
2009	217,957	86,332	304,289
2010	223,624	80,665	304,289
2011-2015	1,208,414	313,030	1,521,444
2016-2020	1,373,891	147,552	1,521,443
2021-2024	296,578	7,711	304,289
Total	\$ 3,941,750	\$ 926,871	\$ 4,868,621

Note 11: Compensated Absences

For governmental funds, accumulated vacation, sick leave benefits, holiday and compensatory time payable at June 30, 2005 was \$946,259. 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 proprietary funds, accumulated vacation, sick leave, holiday and compensatory time amounted to \$675,954 (\$383,733 in Enterprise Funds and \$292,221 in Internal Service Funds). These amounts are recorded within the respective proprietary funds.

**City of Banning
Notes to Financial Statements (Continued)**

Note 12: 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 general 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 \$6,810,000 1997 Refunding Certificates of Participation.

The Agency is treated as a component unit of the City. Therefore, this lease between the City and the Agency has been eliminated from these financial statements.

Note 13: 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 general taxing power of the City of Banning or the Agency have been pledged to the payment of the bonds. Therefore, none of the following special assessment bonds have been included as liabilities in the accompanying financial statements:

	<u>Amount of Issue</u>	<u>Outstanding June 30, 2005</u>
CFD 86-1 1996 Refunding Bonds	\$ 3,810,000	\$ 465,000
AD 91-1 1992	3,422,134	1,860,000
AD 2004-1	2,898,000	2,898,000

Note 14: Single Family Mortgage Revenue Bonds

The Redevelopment Agency has issued mortgage revenue bonds as follows:

	<u>Outstanding Balance June 30, 2005</u>
Redevelopment Agency of the City of Banning Single Family Residential Mortgage Revenue Refunding Bonds	\$ 440,000

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

City of Banning
Notes to Financial Statements (Continued)

Note 15: Prior Period Adjustments

Beginning fund equity/net assets has been restated as follows:

Governmental Funds:	
Special Revenue Funds:	
AQMD Air Pollution Program	
To recognize revenue to the correct fund	\$ (50,000)
Debt Service Funds:	
Redevelopment Agency	
To adjust sales tax forgiveness on loan receivable	<u>(27,055)</u>
Total Governmental Funds	<u>\$ (77,055)</u>
Proprietary Funds:	
Transit	
To properly state revenues	<u>\$ (705)</u>
Internal Service Funds:	
Utility Billing Accounting & Collection	
To record capital assets obtained in the prior year	<u>\$ 14,871</u>
Net assets have been restated as follows:	
Governmental Activities:	
Governmental funds restatements detailed above	\$ (77,055)
Internal service funds restatement detailed above	14,871
To record infrastructure assets obtained in prior years	<u>786,054</u>
Total Governmental Activities	723,870
Business-Type Activities:	
Proprietary funds restatement detailed above	<u>(705)</u>
Total Statement of Net Assets	<u>\$ 723,165</u>

Note 16: City Employees Retirement Plan (Defined Benefit Pension 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. Copies of PERS' annual financial report may be obtained from its executive office: 400 P Street, Sacramento, California 95814.

Funding Policy - Miscellaneous

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, 2005 was 7.415% for miscellaneous employees. Benefit provisions and all other requirements are established by state statute and City contract with employee bargaining groups.

City of Banning
Notes to Financial Statements (Continued)

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

Annual Pension Cost - Miscellaneous

For the year ended June 30, 2005, the City's annual pension cost (employer contribution) of \$424,094 for miscellaneous employees was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2004 actuarial valuation using the entry age normal actuarial cost method.

Funding Policy - Safety

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, 2005 was 30.72% for safety employees. Benefit provisions and all other requirements are established by State statute and City contract with employee bargaining groups.

Annual Pension Cost - Safety

For the year ended June 30, 2005, the City's annual pension cost (employer contribution) of \$527,804 for safety employees was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2004 actuarial valuation using the entry age normal actuarial cost method.

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) 2.00% 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. The single funding horizon for this initial unfunded liability is June 30, 2012.

Three-Year Trend Information for PERS - Miscellaneous Plan

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)*</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligations</u>
6/30/2003	\$ -	100%	\$ -
6/30/2004	-	100%	-
6/30/2005	424,094	100%	-

* Employer contribution

City of Banning
Notes to Financial Statements (Continued)

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

Schedule of Funding Progress for PERS - Miscellaneous Plan

Actuarial Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Excess Assets)	Funded Status	Annual Covered Payroll	UAAL* as a % of Covered Payroll
6/30/2002	\$ 21,306,891	\$ 22,397,082	\$ (1,090,191)	105.1 %	\$ 4,927,433	(22.10) %
6/30/2003	24,576,814	22,460,070	2,116,744	91.4 %	5,062,216	41.80 %
6/30/2004	27,091,320	23,812,946	3,278,374	87.9 %	5,396,934	60.70 %

*UAAL - Unfunded actuarial accrued liability

Three-Year Trend Information for PERS - Safety Plan

Fiscal Year	Annual Pension Cost (APC)*	Percentage of APC Contributed	Net Pension Obligations
6/30/2003	\$ -	100%	\$ -
6/30/2004	124,251	100%	-
6/30/2005	527,804	100%	-

* Employer contribution

Schedule of Funding Progress for PERS - Safety Plan

Actuarial Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Excess Assets)	Funded Status	Annual Covered Payroll	UAAL* as a % of Covered Payroll
6/30/2003	\$ 4,270,573,982	\$ 3,577,742,166	\$ 692,831,816	83.8 %	\$ 476,089,674	145.50 %
6/30/2004	5,383,921,942	4,424,586,846	959,335,096	82.2 %	575,296,434	166.80 %

Because of a change in reporting, data for the Risk Pool are not available for the period ending June 30, 2002.

*UAAL - Unfunded actuarial accrued liability

City of Banning
Notes to Financial Statements (Continued)

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 \$25,000,000 are covered through the Public Entity Risk Management Authority (PERMA). For workers' compensation claims, the City is at risk for up to \$250,000 per occurrence. Losses exceeding \$250,000 up to statutory limits are covered by the PERMA under their risk-sharing pool program. Estimates for all liabilities, including an estimate for incurred but not reported claims (IBNR's), have been included in the Self-Insurance Internal Service Fund.

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

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

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. At June 30, 2005, the amount of these liabilities was \$677,225. The amount represents an estimate of \$363,031 for reported claims through June 30, 2005 and \$314,194 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, 2005 resulted from the following:

Year	Current Year			
	Liability at Beginning	Claims and Changes in Estimates	Claim Payments	Liability at End
2004	\$ 1,158,760	\$ 516,999	\$ 534,323	\$ 1,141,436
2005	1,141,436	452,646	916,857	677,225

**City of Banning
Notes to Financial Statements (Continued)**

Note 18: Insurance Programs (Continued)

The City of Banning is a member of the Public Entity Risk Management Authority (a joint powers authority of 22 California cities, one Transit Agency and one other special district) for the purpose of pooling losses and claims of general liability with those of other member cities and agencies. The City continues to carry commercial companies for all other risks of loss.

Note 19: Contingencies

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

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

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

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, 2005 was \$20,113,530.

**City of Banning
Notes to Financial Statements (Continued)**

Note 20: Commitments (Continued)

Summary financial information (audited) of SCPPA for the fiscal year ended June 30, 2005 follows:

	<u>Amounts</u> (in thousands)
Total Assets	\$ 1,871,833
Total Liabilities	<u>2,104,864</u>
Total Net Assets	<u>\$ (233,031)</u>
Beginning Net Assets	\$ (125,131)
Total Revenues (including investment)	257,444
Total Expenses (including debt and loss on refunding)	(363,836)
Release of over billing from prior years	(22,503)
Net Withdrawals by Participants	<u>20,995</u>
Ending Net Assets	<u>\$ (233,031)</u>

Separate audited financial statements for SCPPA are available from SCPPA.

Note 21: Subsequent Events

Banning Utility Authority

The City of Banning established the Banning Utility Authority (the Authority) on July 12, 2005 pursuant to a joint exercise of powers agreement between the City and the Community Redevelopment Agency of the City of Banning. The purpose of the Authority is to provide for the lease, ownership, operation, management and maintenance of any City owned Utility System, and the financing of Public Capital Improvements or Working Capital Requirements relating to any Utility System.

On December 8, 2005, the Authority issued \$35,635,000 in Water Enterprise Revenue Bonds Refunding and Improvements Projects, 2005 Series and \$7,100,000 Wastewater Enterprise Revenue Bonds Refunding and Improvements Projects, 2005 Series. The bonds were issued to pay for costs of certain capital improvements to the Water Utility Enterprise Fund and to refund the outstanding 1986 and 1989 Certificates of Participation.

Retirement Plan

On August 5, 2005, the City began contributing to the Public Agency Retirement System (PARS) as the retirement program for part-time, seasonal and temporary employees. The PARS plan replaces social security for part-time, seasonal and temporary employees not covered by PERS.

The PARS plan is a defined contribution plan. All members' earnings are subject to contribution from the employee.

CITY OF BANNING
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2005

	Special Revenue Funds				
	Gas Tax Street		Measure A		SB 300 Street
	Article 3 Sidewalk				
Assets:					
Cash and investments	\$ 605,434	\$ 469,897	\$ 125,635	\$ 15,520	
Receivables:					
Accounts	-	-	-	-	-
Interest	3,768	2,696	840	284	
Loans	2,285	-	-	-	-
Due from other governments	78,601	185,359	-	-	-
Restricted assets:					
Cash and investments with fiscal agents	-	-	-	-	-
Total Assets	<u>\$ 690,088</u>	<u>\$ 657,952</u>	<u>\$ 126,475</u>	<u>\$ 15,804</u>	
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$ 51,789	\$ -	\$ 834	\$ -	
Accrued liabilities	22,903	-	-	-	-
Due to other funds	-	-	-	-	-
Unearned revenues	-	-	-	-	-
Deferred revenues	-	-	-	-	-
Advances from other funds	-	-	-	-	-
Deposits payable	195,961	-	-	-	-
Due to other governments	-	-	-	-	10,923
Total Liabilities	<u>270,653</u>	<u>-</u>	<u>834</u>	<u>10,923</u>	
Fund Balances:					
Reserved:					
Reserved for special donations	-	-	-	-	-
Reserved for long-term note receivable	2,285	-	-	-	-
Unreserved:					
Designated for debt service	-	-	-	-	-
Designated for continuing appropriations	302,620	83,354	-	-	-
Undesignated	114,530	574,598	125,641	4,881	
Total Fund Balances	<u>419,435</u>	<u>657,952</u>	<u>125,641</u>	<u>4,881</u>	
Total Liabilities and Fund Balances	<u>\$ 690,088</u>	<u>\$ 657,952</u>	<u>\$ 126,475</u>	<u>\$ 15,804</u>	

Special Revenue Funds

CITY OF BANNING

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2005**

	Special Revenue Funds			
	State Park Bond Act	Property Abatement	Special Donations	Senior Center Activities
Assets:				
Cash and investments	\$ 813	\$ 296,807	\$ 287,637	\$ 61,095
Receivables:				
Accounts	-	37,820	1,175	-
Interest	5	2,055	-	429
Loans	-	607	-	-
Due from other governments	-	27,143	-	-
Restricted Assets:				
Cash and investments with fiscal agents	-	-	-	-
Total Assets	<u>\$ 818</u>	<u>\$ 364,432</u>	<u>\$ 288,812</u>	<u>\$ 61,524</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 6,510	\$ 350
Accrued liabilities	-	5,855	-	-
Due to other funds	-	-	-	-
Unearned revenues	-	-	-	-
Deferred revenues	-	4,033	-	-
Deposits payable	-	-	-	-
Due to other governments	-	-	-	-
Total Liabilities	<u>-</u>	<u>9,888</u>	<u>6,510</u>	<u>350</u>
Fund Balances:				
Reserved:				
Reserved for special donations	-	-	282,302	-
Reserved for long-term note receivable	-	607	-	-
Unreserved:				
Designated for continuing appropriations	-	55,108	-	-
Undesignated	<u>818</u>	<u>298,829</u>	<u>-</u>	<u>61,174</u>
Total Fund Balances	<u>818</u>	<u>354,544</u>	<u>282,302</u>	<u>61,174</u>
Total Liabilities and Fund Balances	<u>\$ 818</u>	<u>\$ 364,432</u>	<u>\$ 288,812</u>	<u>\$ 61,524</u>

Schedule 1
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Special Revenue Funds

CITY OF BANNING
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2005

	Special Revenue Funds		Capital Projects Funds	
	Peacock Valley II	Asset Forfeiture	Police Facilities Development	Fire Facilities Development
Assets:				
Cash and investments	\$ 1,842	\$ 4,187	\$ 427,686	\$ 635,237
Receivables:				
Accounts	-	-	-	-
Interest	13	51	2,945	4,236
Loans	-	-	-	-
Due from other governments	-	980	-	-
Restricted Assets:				
Cash and investments with fiscal agents	-	-	-	-
Total Assets	\$ 1,855	\$ 5,218	\$ 430,631	\$ 639,473
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 16,362	\$ -
Accrued liabilities	-	-	-	-
Due to other funds	-	-	-	-
Unearned revenues	-	-	-	-
Deferred revenues	-	-	-	-
Deposits payable	-	-	-	-
Due to other governments	-	-	-	-
Total Liabilities	-	-	16,362	-
Fund Balances:				
Reserved:				
Reserved for special donations	-	-	-	-
Reserved for long-term note receivable	-	-	-	-
Unreserved:				
Designated for continuing appropriations	1,505	-	257,331	-
Undesignated	350	5,218	156,938	639,473
Total Fund Balances	1,855	5,218	414,269	639,473
Total Liabilities and Fund Balances	\$ 1,855	\$ 5,218	\$ 430,631	\$ 639,473

Capital Projects Funds					Debt Service Fund		Total Governmental Funds
Traffic Control Facilities	General Facilities	Park Development	Fair Oaks AD 2004-1	Redevelopment Agency			
\$ 400,308	\$ 384,727	\$ 949,717	\$ -	\$ 279,297	\$ 5,619,767		
-	-	-	-	-	39,198		
2,671	2,567	6,330	-	5,740	39,024		
-	-	-	-	262,386	265,278		
-	-	-	-	100,546	562,504		
-	-	-	2,431,942	1,542,100	3,974,042		
\$ 402,979	\$ 387,294	\$ 956,047	\$ 2,431,942	\$ 2,190,069	\$ 10,499,813		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 76,422		
-	-	-	-	-	33,031		
-	-	-	-	-	2,585		
-	-	-	-	-	9,849		
-	-	-	-	-	144,033		
-	-	-	-	560,653	560,653		
-	-	227,772	-	-	423,733		
-	-	-	-	-	10,923		
-	-	227,772	-	560,653	1,261,229		
-	-	-	-	-	282,302		
-	-	-	-	262,386	265,278		
-	-	-	-	1,367,030	1,367,030		
-	-	174,326	-	-	968,387		
402,979	387,294	553,949	2,431,942	-	6,355,587		
402,979	387,294	728,275	2,431,942	1,629,416	9,238,584		
\$ 402,979	\$ 387,294	\$ 956,047	\$ 2,431,942	\$ 2,190,069	\$ 10,499,813		

CITY OF BANNING

**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005**

Special Revenue Funds				
	Gas Tax Street	Measure A	SB 300 Street	Article 3 Sidewalk
Revenues:				
Taxes	\$ -	\$ 688,316	\$ -	\$ -
Intergovernmental	554,056	-	-	11,419
Contribution from property owners	-	-	-	-
Charges for services	-	-	-	-
Use of money and property	10,258	8,063	2,580	731
Miscellaneous	22,023	-	-	-
Developer Participation	-	-	-	-
Total Revenues	586,337	696,379	2,580	12,150
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	877,532	-	-	-
Parks and recreation	-	-	-	-
Capital outlay	44,318	571,039	7,306	25,333
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	921,850	571,039	7,306	25,333
Excess (Deficiency) of Revenues Over (Under) Expenditures	(335,513)	125,340	(4,726)	(13,183)
Other Financing Sources (Uses):				
Transfers in	420,500	-	-	11,418
Transfers out	(32,866)	(11,418)	-	-
Total Other Financing Sources (Uses)	387,634	(11,418)	-	11,418
Net Change in Fund Balances	\$ 52,121	\$ 113,922	\$ (4,726)	\$ (1,765)
Fund Balances:				
Beginning of Year, as originally reported	\$ 367,314	\$ 544,030	\$ 130,367	\$ 6,646
Restatements	-	-	-	-
Beginning of Year, as restated	367,314	544,030	130,367	6,646
Net Change in Fund Balances	52,121	113,922	(4,726)	(1,765)
End of Year	\$ 419,435	\$ 657,952	\$ 125,641	\$ 4,881

Special Revenue Funds

Community Development Block Grant	Landscape Maintenance District	AQMD Air Pollution Program	Local Law Enforcement Block Grant	Supplemental Law Enforcement	Public Safety Sales Tax
\$ - 43,856	\$ 40,294 -	\$ - 32,983	\$ - 39,095	\$ - 100,000	\$ 192,859 -
-	-	-	-	-	-
-	346	544	489	2,110	904
-	-	400	-	-	-
-	-	-	-	-	-
43,856	40,640	33,927	39,584	102,110	193,763
32,605	-	643	-	-	-
11,251	51,861	-	31,918	141,280	-
-	-	-	-	-	-
-	-	-	-	-	-
43,856	51,861	6,643	41,590	141,280	-
-	(11,221)	27,284	(2,006)	(39,170)	193,763
-	32,866	50,000	2,006	42,890	-
-	-	-	-	-	(160,000)
-	32,866	50,000	2,006	42,890	(160,000)
\$ -	\$ 21,645	\$ 77,284	\$ -	\$ 3,720	\$ 33,763
\$ -	\$ 14,814	\$ 45,421	\$ -	\$ 90,423	\$ 47,306
-	-	(50,000)	-	-	-
-	14,814	(4,579)	-	90,423	47,306
-	21,645	77,284	-	3,720	33,763
\$ -	\$ 36,459	\$ 72,705	\$ -	\$ 94,143	\$ 81,069

CITY OF BANNING

**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005**

	Special Revenue Funds			
	State Park Bond Act	Property Abatement	Special Donations	Senior Center Activities
Revenues:				
Taxes	\$ -	\$ 63,991	\$ -	\$ -
Intergovernmental	- -	21,505	- -	- -
Contribution from property owners	- -	- -	- -	- -
Charges for services	- -	90,670	- -	5,904
Use of money and property	16	6,482	- -	1,304
Miscellaneous	- -	- -	256,759	14,648
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	16	182,648	256,759	21,856
Expenditures:				
Current:				
General government	- -	- -	- -	- -
Public safety	- -	- -	- -	- -
Public works	- -	207,112	- -	- -
Parks and recreation	- -	- -	19,231	22,031
Capital outlay	- -	- -	- -	- -
Debt service:				
Principal retirement	- -	- -	- -	- -
Interest and fiscal charges	- -	- -	- -	- -
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	-	207,112	19,231	22,031
Excess (Deficiency) of Revenues Over (Under) Expenditures	16	(24,464)	237,528	(175)
Other Financing Sources (Uses):				
Transfers in	- -	- -	15,000	- -
Transfers out	- -	- -	- -	- -
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	-	-	15,000	-
Net Change in Fund Balances	\$ 16	\$ (24,464)	\$ 252,528	\$ (175)
Fund Balances:				
Beginning of Year, as originally reported	\$ 802	\$ 379,008	\$ 29,774	\$ 61,349
Restatements	- -	- -	- -	- -
Beginning of Year, as restated	802	379,008	29,774	61,349
Net Change in Fund Balances	16	(24,464)	252,528	(175)
End of Year	\$ 818	\$ 354,544	\$ 282,302	\$ 61,174

Special Revenue Funds					
Police Volunteer	D.A.R.E. Donation	Ramsey/ Highland Home Signal	Wilson Median Improvement	Animal Control Reserve	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
140	150	1,374	6,430	118	
419	-	-	-	-	
-	-	-	-	-	
559	150	1,374	6,430	118	
3,290	-	-	-	7,431	
-	-	-	-	-	
-	-	-	-	-	
-	-	-	-	-	
-	-	-	-	-	
3,290	-	-	-	7,431	
(2,731)	150	1,374	6,430	(7,313)	
3,000	4,000	-	-	-	
-	-	-	-	-	
3,000	4,000	-	-	-	
\$ 269	\$ 4,150	\$ 1,374	\$ 6,430	\$ (7,313)	
\$ 5,627	\$ 4,202	\$ 67,003	\$ 313,528	\$ 11,470	
-	-	-	-	-	
5,627	4,202	67,003	313,528	11,470	
269	4,150	1,374	6,430	(7,313)	
\$ 5,896	\$ 8,352	\$ 68,377	\$ 319,958	\$ 4,157	

CITY OF BANNING

**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005**

	Special Revenue Funds		Capital Projects Funds	
	Peacock Valley II	Asset Forfeiture	Police Facilities Development	Fire Facilities Development
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Contribution from property owners	-	-	-	-
Charges for services	-	-	-	-
Use of money and property	267	62	8,958	12,035
Miscellaneous	5,415	5,156	85,589	114,391
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	5,682	5,218	94,547	126,426
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	1,309	-
Public works	23,157	-	-	-
Parks and recreation	-	-	-	-
Capital outlay	-	-	79,234	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	23,157	-	80,543	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(17,475)	5,218	14,004	126,426
	<hr/>	<hr/>	<hr/>	<hr/>
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	\$ (17,475)	\$ 5,218	\$ 14,004	\$ 126,426
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Balances:				
Beginning of Year, as originally reported	\$ 19,330	\$ -	\$ 400,265	\$ 513,047
Restatements	-	-	-	-
Beginning of Year, as restated	19,330	-	400,265	513,047
Net Change in Fund Balances	(17,475)	-	14,004	126,426
	<hr/>	<hr/>	<hr/>	<hr/>
End of Year	\$ 1,855	\$ 5,218	\$ 414,269	\$ 639,473

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Capital Projects Funds				Debt Service Fund		Total Governmental Funds
Traffic Control Facilities	General Facilities	Park Development	Fair Oaks AD 2004-1	Redevelopment Agency		
\$ -	\$ -	\$ -	\$ -	\$ 1,707,589	\$ 2,693,049	
-	-	-	-	-	802,914	
-	-	-	2,431,942	-	2,431,942	
-	-	-	-	-	96,574	
7,690	7,405	18,019	-	583,280	679,755	
59,869	53,353	161,323	-	-	779,345	
-	-	-	-	17,897	17,897	
67,559	60,758	179,342	2,431,942	2,308,766	7,501,476	
-	-	-	-	106,485	107,128	
-	-	-	-	-	185,228	
-	-	-	-	-	1,159,662	
-	-	-	-	-	73,867	
-	-	11,225	-	-	765,378	
-	-	-	-	580,000	580,000	
-	-	-	-	940,534	940,534	
-	-	11,225	-	1,627,019	3,811,797	
67,559	60,758	168,117	2,431,942	681,747	3,689,679	
-	-	-	-	194,873	776,553	
-	-	-	-	(1,149,366)	(1,353,650)	
-	-	-	-	(954,493)	(577,097)	
\$ 67,559	\$ 60,758	\$ 168,117	\$ 2,431,942	\$ (272,746)	\$ 3,112,582	
\$ 335,420	\$ 326,536	\$ 560,158	\$ -	\$ 1,929,217	\$ 6,203,057	
-	-	-	-	(27,055)	(77,055)	
335,420	326,536	560,158	-	1,902,162	6,126,002	
67,559	60,758	168,117	-	-	3,112,582	
\$ 402,979	\$ 387,294	\$ 728,275	\$ 2,431,942	\$ 1,629,416	\$ 9,238,584	

CITY OF BANNING

Schedule 3A

BUDGETARY COMPARISON SCHEDULE
GAS TAX STREET
YEAR ENDED JUNE 30, 2005

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 367,314	\$ 367,314	\$ 367,314	\$ -
Resources (Inflows):				
Intergovernmental	478,000	478,000	554,056	76,056
Charges for Services	-	-	-	-
Use of money and property	4,200	4,200	10,258	6,058
Other	105,750	105,750	22,023	(83,727)
Transfers from other funds	420,500	420,500	420,500	-
Amounts Available for Appropriation	1,375,764	1,375,764	1,374,151	(1,613)
Charges to Appropriation (Outflow):				
Public works	941,163	961,755	877,532	84,223
Capital outlay	269,000	360,650	44,318	316,332
Transfers to other funds	32,866	32,866	32,866	-
Total Charges to Appropriation	1,243,029	1,355,271	954,716	400,555
Budgetary Fund Balance, June 30	\$ 132,735	\$ 20,493	\$ 419,435	\$ 398,942

CITY OF BANNING

Schedule 3B

BUDGETARY COMPARISON SCHEDULE
MEASURE A
YEAR ENDED JUNE 30, 2005

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 544,030	\$ 544,030	\$ 544,030	\$ -
Resources (Inflows):				
Taxes	560,000	560,000	688,316	128,316
Use of money and property	11,000	11,000	8,063	(2,937)
Amounts Available for Appropriation	1,115,030	1,115,030	1,240,409	125,379
Charges to Appropriation (Outflow):				
Capital outlay	580,000	654,393	571,039	83,354
Transfers to other funds	25,000	36,418	11,418	25,000
Total Charges to Appropriation	605,000	690,811	582,457	108,354
Budgetary Fund Balance, June 30	\$ 510,030	\$ 424,219	\$ 657,952	\$ 233,733

CITY OF BANNING

Schedule 3C

BUDGETARY COMPARISON SCHEDULE
SB 300 STREET
YEAR ENDED JUNE 30, 2005

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 130,367	\$ 130,367	\$ 130,367	\$ -
Resources (Inflows):				
Use of money and property	2,000	2,000	2,580	580
Amounts Available for Appropriation	132,367	132,367	132,947	580
Charges to Appropriation (Outflow):				
Capital outlay	20,000	59,868	7,306	52,562
Total Charges to Appropriation	20,000	59,868	7,306	52,562
Budgetary Fund Balance, June 30	\$ 112,367	\$ 72,499	\$ 125,641	\$ 53,142

CITY OF BANNING

Schedule 3D

BUDGETARY COMPARISON SCHEDULE
ARTICLE 3 SIDEWALK
YEAR ENDED JUNE 30, 2005

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 6,646	\$ 6,646	\$ 6,646	\$ -
Resources (Inflows):				
Intergovernmental	25,000	86,667	11,419	(75,248)
Use of money and property	100	100	731	631
Transfers from other funds	<u>25,000</u>	<u>36,418</u>	<u>11,418</u>	<u>(25,000)</u>
Amounts Available for Appropriation	56,746	129,831	30,214	(99,617)
Charges to Appropriation (Outflow):				
Capital outlay	50,000	123,085	25,333	97,752
Total Charges to Appropriation	50,000	123,085	25,333	97,752
Budgetary Fund Balance, June 30	\$ 6,746	\$ 6,746	\$ 4,881	\$ (1,865)

CITY OF BANNING

Schedule 3E

BUDGETARY COMPARISON SCHEDULE
COMMUNITY DEVELOPMENT BLOCK GRANT
YEAR ENDED JUNE 30, 2005

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Intergovernmental	220,000	761,303	43,856	(717,447)
Amounts Available for Appropriation	220,000	761,303	43,856	(717,447)
Charges to Appropriation (Outflow):				
Parks and recreation	33,000	32,605	32,605	-
Capital outlay	187,000	728,698	11,251	717,447
Total Charges to Appropriation	220,000	761,303	43,856	717,447
Budgetary Fund Balance, June 30	\$ -	\$ -	\$ -	\$ -

CITY OF BANNING

Schedule 3F

BUDGETARY COMPARISON SCHEDULE
LANDSCAPE MAINTENANCE DISTRICT
YEAR ENDED JUNE 30, 2005

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 14,814	\$ 14,814	\$ 14,814	\$ -
Resources (Inflows):				
Taxes	41,318	41,318	40,294	(1,024)
Use of money and property	100	100	346	246
Transfers from other funds	32,866	32,866	32,866	-
Amounts Available for Appropriation	89,098	89,098	88,320	(778)
Charges to Appropriation (Outflow):				
Public works	74,284	74,284	51,861	22,423
Total Charges to Appropriation	74,284	74,284	51,861	22,423
Budgetary Fund Balance, June 30	\$ 14,814	\$ 14,814	\$ 36,459	\$ 21,645

CITY OF BANNING

Schedule 3G

BUDGETARY COMPARISON SCHEDULE
AQMD AIR POLLUTION PROGRAM
YEAR ENDED JUNE 30, 2005

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (4,579)	\$ (4,579)	\$ (4,579)	\$ -
Resources (Inflows):				
Intergovernmental	27,000	27,000	32,983	5,983
Use of money and property	2,000	2,000	544	(1,456)
Other	-	-	400	400
Transfers from other funds	-	-	50,000	50,000
Amounts Available for Appropriation	24,421	24,421	79,348	54,927
Charges to Appropriation (Outflow):				
General government	12,000	19,495	643	18,852
Capital outlay	-	58,065	6,000	52,065
Total Charges to Appropriation	12,000	77,560	6,643	70,917
Budgetary Fund Balance, June 30	\$ 12,421	\$ (53,139)	\$ 72,705	\$ 125,844

CITY OF BANNING

Schedule 3H

**BUDGETARY COMPARISON SCHEDULE
LOCAL LAW ENFORCEMENT BLOCK GRANT
YEAR ENDED JUNE 30, 2005**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Intergovernmental	-	48,944	39,095	(9,849)
Use of money and property	-	-	489	489
Transfers from other funds	-	2,006	2,006	-
Amounts Available for Appropriation	-	50,950	41,590	(9,360)
Charges to Appropriation (Outflow):				
Public safety	-	41,073	31,918	9,155
Capital outlay	-	9,676	9,672	4
Total Charges to Appropriation	-	50,749	41,590	9,159
Budgetary Fund Balance, June 30	\$ -	\$ 201	\$ -	\$ (201)

CITY OF BANNING

Schedule 3I

BUDGET COMPARISON SCHEDULE
SUPPLEMENTAL LAW ENFORCEMENT
YEAR ENDED JUNE 30, 2005

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 90,423	\$ 90,423	\$ 90,423	\$ -
Resources (Inflows):				
Intergovernmental	-	100,000	100,000	-
Use of money and property	1,200	1,200	2,110	910
Transfers from other funds	20,603	42,890	42,890	-
Amounts Available for Appropriation	112,226	234,513	235,423	910
Charges to Appropriation (Outflow):				
Public safety	122,287	234,513	141,280	93,233
Total Charges to Appropriation	122,287	234,513	141,280	93,233
Budgetary Fund Balance, June 30	\$ (10,061)	\$ -	\$ 94,143	\$ 94,143

CITY OF BANNING

Schedule 3J

BUDGETARY COMPARISON SCHEDULE
PUBLIC SAFETY SALES TAX
YEAR ENDED JUNE 30, 2005

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 47,306	\$ 47,306	\$ 47,306	\$ -
Resources (Inflows):				
Taxes	152,200	152,200	192,859	40,659
Use of money and property	700	700	904	204
Amounts Available for Appropriation	200,206	200,206	241,069	40,863
Charges to Appropriation (Outflow):				
Transfers to other funds	160,000	160,000	160,000	-
Total Charges to Appropriation	160,000	160,000	160,000	-
Budgetary Fund Balance, June 30	\$ 40,206	\$ 40,206	\$ 81,069	\$ 40,863

CITY OF BANNING

Schedule 3K

BUDGETARY COMPARISON SCHEDULE
PROPERTY ABATEMENT
YEAR ENDED JUNE 30, 2005

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 379,008	\$ 379,008	\$ 379,008	\$ -
Resources (Inflows):				
Taxes	41,400	41,400	63,991	22,591
Intergovernmental	-	69,873	21,505	(48,368)
Charges for services	25,000	25,000	90,670	65,670
Use of money and property	2,500	2,500	6,482	3,982
Amounts Available for Appropriation	447,908	517,781	561,656	43,875
Charges to Appropriation (Outflow):				
Public works	271,749	296,169	207,112	89,057
Total Charges to Appropriation	271,749	296,169	207,112	89,057
Budgetary Fund Balance, June 30	\$ 176,159	\$ 221,612	\$ 354,544	\$ 132,932

CITY OF BANNING

Schedule 3L

BUDGETARY COMPARISON SCHEDULE
SPECIAL DONATIONS
YEAR ENDED JUNE 30, 2005

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 29,774	\$ 29,774	\$ 29,774	\$ -
Resources (Inflows):				
Other	5,500	257,000	256,759	(241)
Transfers from other funds	15,000	15,000	15,000	-
Amounts Available for Appropriation	50,274	301,774	301,533	(241)
Charges to Appropriation (Outflow):				
Parks and recreation	20,718	21,765	19,231	2,534
Total Charges to Appropriation	20,718	21,765	19,231	2,534
Budgetary Fund Balance, June 30	\$ 29,556	\$ 280,009	\$ 282,302	\$ 2,293

CITY OF BANNING

Schedule 3M

BUDGETARY COMPARISON SCHEDULE
SENIOR CENTER ACTIVITIES
YEAR ENDED JUNE 30, 2005

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 61,349	\$ 61,349	\$ 61,349	\$ -
Resources (Inflows):				
Charges for services	1,300	6,780	5,904	(876)
Use of money and property	700	700	1,304	604
Other	11,750	15,410	14,648	(762)
Amounts Available for Appropriation	75,099	84,239	83,205	(1,034)
Charges to Appropriation (Outflow):				
Parks and recreation	21,450	36,200	22,031	14,169
Total Charges to Appropriation	21,450	36,200	22,031	14,169
Budgetary Fund Balance, June 30	\$ 53,649	\$ 48,039	\$ 61,174	\$ 13,135

CITY OF BANNING

Schedule 3N

BUDGETARY COMPARISON SCHEDULE
POLICE VOLUNTEER
YEAR ENDED JUNE 30, 2005

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 5,627	\$ 5,627	\$ 5,627	\$ -
Resources (Inflows):				
Use of money and property	100	100	140	40
Other	1,250	1,250	419	(831)
Transfers from other funds	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>	<u>-</u>
Amounts Available for Appropriation	<u>9,977</u>	<u>9,977</u>	<u>9,186</u>	<u>(791)</u>
Charges to Appropriation (Outflow):				
Public safety	<u>6,500</u>	<u>6,500</u>	<u>3,290</u>	<u>3,210</u>
Total Charges to Appropriation	<u>6,500</u>	<u>6,500</u>	<u>3,290</u>	<u>3,210</u>
Budgetary Fund Balance, June 30	<u>\$ 3,477</u>	<u>\$ 3,477</u>	<u>\$ 5,896</u>	<u>\$ 2,419</u>

CITY OF BANNING

Schedule 30

BUDGETARY COMPARISON SCHEDULE
D.A.R.E. DONATION
YEAR ENDED JUNE 30, 2005

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 4,202	\$ 4,202	\$ 4,202	\$ -
Resources (Inflows):				
Use of money and property	100	100	150	50
Other	6,000	6,000	-	(6,000)
Transfers from other funds	4,000	4,000	4,000	-
Amounts Available for Appropriation	14,302	14,302	8,352	(5,950)
Charges to Appropriation (Outflow):				
Public safety	8,500	8,500	-	8,500
Total Charges to Appropriation	8,500	8,500	-	8,500
Budgetary Fund Balance, June 30	\$ 5,802	\$ 5,802	\$ 8,352	\$ 2,550

CITY OF BANNING

Schedule 3P

BUDGETARY COMPARISON SCHEDULE
RAMSEY/HIGHLAND HOME SIGNAL
YEAR ENDED JUNE 30, 2005

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 67,003	\$ 67,003	\$ 67,003	\$ -
Resources (Inflows):				
Use of money and property	-	900	1,374	474
Amounts Available for Appropriation	67,003	67,903	68,377	474
Budgetary Fund Balance, June 30	\$ 67,003	\$ 67,903	\$ 68,377	\$ 474

CITY OF BANNING

Schedule 3Q

BUDGETARY COMPARISON SCHEDULE
WILSON MEDIAN IMPROVEMENT
YEAR ENDED JUNE 30, 2005

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 313,528	\$ 313,528	\$ 313,528	\$ -
Resources (Inflows):				
Use of money and property	-	4,000	6,430	2,430
Amounts Available for Appropriation	313,528	317,528	319,958	2,430
Budgetary Fund Balance, June 30	\$ 313,528	\$ 317,528	\$ 319,958	\$ 2,430

CITY OF BANNING

Schedule 3R

BUDGETARY COMPARISON SCHEDULE
ANIMAL CONTROL RESERVE
YEAR ENDED JUNE 30, 2005

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 11,470	\$ 11,470	\$ 11,470	\$ -
Resources (Inflows):				
Use of money and property	150	150	118	(32)
Amounts Available for Appropriation	11,620	11,620	11,588	(32)
Charges to Appropriation (Outflow):				
Public safety	7,431	7,431	7,431	-
Total Charges to Appropriation	7,431	7,431	7,431	-
Budgetary Fund Balance, June 30	\$ 4,189	\$ 4,189	\$ 4,157	\$ (32)

CITY OF BANNING

Schedule 3S

BUDGETARY COMPARISON SCHEDULE
PEACOCK VALLEY II
YEAR ENDED JUNE 30, 2005

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 19,330	\$ 19,330	\$ 19,330	\$ -
Resources (Inflows):				
Use of money and property	20	20	267	247
Other	36,300	5,415	5,415	-
Amounts Available for Appropriation	55,650	24,765	25,012	247
Charges to Appropriation (Outflow):				
Public works	-	24,764	23,157	1,607
Total Charges to Appropriation	-	24,764	23,157	1,607
Budgetary Fund Balance, June 30	\$ 55,650	\$ 1	\$ 1,855	\$ 1,854

CITY OF BANNING

Schedule 4A

**BUDGETARY COMPARISON SCHEDULE
POLICE FACILITIES DEVELOPMENT
YEAR ENDED JUNE 30, 2005**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 400,265	\$ 400,265	\$ 400,265	\$ -
Resources (Inflows):				
Use of money and property	4,500	4,500	8,958	4,458
Other	91,028	91,028	85,589	(5,439)
Amounts Available for Appropriation	495,793	495,793	494,812	(981)
Charges to Appropriation (Outflow):				
Public safety	-	-	1,309	(1,309)
Capital outlay	-	338,866	79,234	259,632
Total Charges to Appropriation	-	338,866	80,543	258,323
Budgetary Fund Balance, June 30	\$ 495,793	\$ 156,927	\$ 414,269	\$ 257,342

CITY OF BANNING

Schedule 4B

BUDGETARY COMPARISON SCHEDULE
FIRE FACILITIES DEVELOPMENT
YEAR ENDED JUNE 30, 2005

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Budgetary Fund Balance, July 1	\$ 513,047	\$ 513,047	\$ 513,047	\$ -
Resources (Inflows):				
Use of money and property	4,000	4,000	12,035	8,035
Other	145,763	145,763	114,391	(31,372)
Amounts Available for Appropriation	662,810	662,810	639,473	(23,337)
Budgetary Fund Balance, June 30	\$ 662,810	\$ 662,810	\$ 639,473	\$ (23,337)

CITY OF BANNING

Schedule 4C

BUDGETARY COMPARISON SCHEDULE
TRAFFIC CONTROL FACILITIES
YEAR ENDED JUNE 30, 2005

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 335,420	\$ 335,420	\$ 335,420	\$ -
Resources (Inflows):				
Use of money and property	3,000	3,000	7,690	4,690
Other	51,000	51,000	59,869	8,869
Amounts Available for Appropriation	389,420	389,420	402,979	13,559
Budgetary Fund Balance, June 30	\$ 389,420	\$ 389,420	\$ 402,979	\$ 13,559

CITY OF BANNING

Schedule 4D

**BUDGETARY COMPARISON SCHEDULE
GENERAL FACILITIES
YEAR ENDED JUNE 30, 2005**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 326,536	\$ 326,536	\$ 326,536	\$ -
Resources (Inflows):				
Use of money and property	3,000	3,000	7,405	4,405
Other	51,000	51,000	53,353	2,353
Amounts Available for Appropriation	380,536	380,536	387,294	6,758
Budgetary Fund Balance, June 30	\$ 380,536	\$ 380,536	\$ 387,294	\$ 6,758

CITY OF BANNING

Schedule 4E

BUDGETARY COMPARISON SCHEDULE
PARK DEVELOPMENT
YEAR ENDED JUNE 30, 2005

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 560,158	\$ 560,158	\$ 560,158	\$ -
Resources (Inflows):				
Use of money and property	6,500	6,500	18,019	11,519
Other	249,750	477,522	161,323	(316,199)
Amounts Available for Appropriation	816,408	1,044,180	739,500	(304,680)
Charges to Appropriation (Outflow):				
Capital outlay	-	413,259	11,225	402,034
Total Charges to Appropriation	-	413,259	11,225	402,034
Budgetary Fund Balance, June 30	\$ 816,408	\$ 630,921	\$ 728,275	\$ 97,354

CITY OF BANNING

Schedule 4F

BUDGETARY COMPARISON SCHEDULE
REDEVELOPMENT AGENCY - CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2005

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 11,565,500	\$ 11,565,500	\$ 11,565,500	\$ -
Resources (Inflows):				
Taxes	304,132	441,238	502,511	61,273
Use of money and property	121,300	121,300	231,859	110,559
Other	-	67,817	73,999	6,182
Transfers from other funds	1,289,137	1,590,604	1,149,366	(441,238)
Amounts Available for Appropriation	13,280,069	13,786,459	13,523,235	(263,224)
Charges to Appropriation (Outflow):				
General government	421,451	3,244,954	852,008	2,392,946
Capital outlay	20,000	20,000	175,994	(155,994)
Transfers to other funds	194,873	194,873	194,873	-
Total Charges to Appropriation	636,324	3,459,827	1,222,875	2,236,952
Budgetary Fund Balance, June 30	\$ 12,643,745	\$ 10,326,632	\$ 12,300,360	\$ 1,973,728

CITY OF BANNING

Schedule 5

BUDGETARY COMPARISON SCHEDULE
REDEVELOPMENT AGENCY - DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2005

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1 as restated	\$ 1,902,162	\$ 1,902,162	\$ 1,902,162	\$ -
Resources (Inflows):				
Taxes	1,041,627	1,476,846	1,707,589	230,743
Use of money and property	532,000	533,435	583,280	49,845
Developer fees	73,046	76,046	17,897	(58,149)
Transfers from other funds	194,873	194,873	194,873	-
Amounts Available for Appropriation	3,743,708	4,183,362	4,405,801	222,439
Charges to Appropriation (Outflow):				
General government	102,637	107,545	106,485	1,060
Debt service:				
Principal	580,000	580,000	580,000	-
Interest and fiscal charges	941,183	941,183	940,534	649
Transfers to other funds	985,005	1,149,366	1,149,366	-
Total Charges to Appropriation	2,608,825	2,778,094	2,776,385	1,709
Budgetary Fund Balance, June 30	\$ 1,134,883	\$ 1,405,268	\$ 1,629,416	\$ 224,148

CITY OF BANNING

Schedule 6

COMBINING STATEMENT OF FUND NET ASSETS
NONMAJOR ENTERPRISE FUNDS
JUNE 30, 2005

	<u>Airport</u>	<u>Transit</u>	<u>Refuse Utility</u>	<u>Totals</u>
Assets:				
Current:				
Cash and investments	\$ 176,086	\$ 127,045	\$ 283,284	\$ 586,415
Receivables:				
Accounts	1,973	2,196	309,410	313,579
Interest	1,036	1,093	1,912	4,041
Due from other governments	-	78,367	-	78,367
Inventories	3,859	-	-	3,859
Total Current Assets	182,954	208,701	594,606	986,261
Noncurrent:				
Capital assets - net of accumulated depreciation	2,122,366	816,823	-	2,939,189
Total Noncurrent Assets	2,122,366	816,823	-	2,939,189
Total Assets	\$ 2,305,320	\$ 1,025,524	\$ 594,606	\$ 3,925,450
Liabilities and Net Assets:				
Liabilities:				
Current:				
Accounts payable	\$ 513	\$ 15,153	\$ 178,545	\$ 194,211
Accrued payroll payable	819	21,501	574	22,894
Deposits payable	25,799	-	38,871	64,670
Unearned revenues	-	111,401	-	111,401
Total Current Liabilities	27,131	148,055	217,990	393,176
Noncurrent:				
Advances from other funds	211,245	-	-	211,245
Compensated absences	-	60,730	2,987	63,717
Total Noncurrent Liabilities	211,245	60,730	2,987	274,962
Total Liabilities	238,376	208,785	220,977	668,138
Net Assets:				
Invested in capital assets, net of related debt	2,122,366	816,823	-	2,939,189
Unrestricted	(55,422)	(84)	373,629	318,123
Total Net Assets	2,066,944	816,739	373,629	3,257,312
Total Liabilities and Net Assets	\$ 2,305,320	\$ 1,025,524	\$ 594,606	\$ 3,925,450

CITY OF BANNING

Schedule 7

**COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
NONMAJOR ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2005**

	<u>Airport</u>	<u>Transit</u>	<u>Refuse Utility</u>	<u>Totals</u>
Operating Revenues:				
Sales and service charges	\$ 214,509	\$ 98,253	\$ 2,385,836	\$ 2,698,598
Total Operating Revenues	214,509	98,253	2,385,836	2,698,598
Operating Expenses:				
Salaries and benefits	26,531	606,227	19,918	652,676
Supplies and services	112,560	356,277	2,287,745	2,756,582
Repairs and maintenance	9,870	342	-	10,212
Depreciation	101,033	277,899	-	378,932
Total Operating Expenses	249,994	1,240,745	2,307,663	3,798,402
Operating Income (Loss)	(35,485)	(1,142,492)	78,173	(1,099,804)
Nonoperating Revenues (Expenses):				
Taxes	-	905,494	37,287	942,781
Intergovernmental	485,763	35,220	-	520,983
Interest revenue	308	3,625	5,298	9,231
Interest expense	(4,724)	-	-	(4,724)
Miscellaneous	3,061	3,650	7,726	14,437
Total Nonoperating Revenues (Expenses)	484,408	947,989	50,311	1,482,708
Income (Loss) Before Transfers	448,923	(194,503)	128,484	382,904
Transfers out	-	(50,000)	(55,000)	(105,000)
Changes in Net Assets	\$ 448,923	\$ (244,503)	\$ 73,484	\$ 277,904
Net Assets:				
Beginning of Fiscal Year, as originally reported	\$ 1,618,021	\$ 1,061,947	\$ 300,145	\$ 2,980,113
Restatements	-	(705)	-	(705)
Beginning of Fiscal Year, as restated	1,618,021	1,061,242	300,145	2,979,408
Changes in Net Assets	448,923	(244,503)	73,484	277,904
End of Fiscal Year	\$ 2,066,944	\$ 816,739	\$ 373,629	\$ 3,257,312

CITY OF BANNING

Schedule 8
Page 1 of 2

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<u>Airport</u>	<u>Transit</u>	<u>Refuse Utility</u>	<u>Totals</u>
Cash Flows from Operating Activities:				
Cash received from customers and users	\$ 213,812	\$ 97,034	\$ 2,343,982	\$ 2,654,828
Cash received from miscellaneous revenue	241,298	830,777	45,013	1,117,088
Cash paid to suppliers for goods and services	(350,977)	(415,464)	(2,280,218)	(3,046,659)
Cash paid to employees for services	(26,465)	(584,620)	(18,248)	(629,333)
 Net Cash Provided (Used) by Operating Activities	 <u>77,668</u>	 <u>(72,273)</u>	 <u>90,529</u>	 <u>95,924</u>
 Cash Flows from Non-Capital Financing Activities:				
Cash transfer to other funds	-	(50,000)	(55,000)	(105,000)
Repayment of advances	(45,000)	-	-	(45,000)
Intergovernmental	485,763	35,220	-	520,983
 Net Cash Provided (Used) by Non-Capital Financing Activities	 <u>440,763</u>	 <u>(14,780)</u>	 <u>(55,000)</u>	 <u>370,983</u>
 Cash Flows from Capital and Related Financing Activities:				
Purchases, acquisition and construction of capital assets	(538,760)	(33,488)	-	(572,248)
Interest paid on capital debt	(4,724)	-	-	(4,724)
 Net Cash Provided (Used) by Capital and Related Financing Activities	 <u>(543,484)</u>	 <u>(33,488)</u>	 <u>-</u>	 <u>(576,972)</u>
 Cash Flows from Investing Activities:				
Interest received	(51)	4,352	4,171	8,472
 Net Cash Provided (Used) by Investing Activities	 <u>(51)</u>	 <u>4,352</u>	 <u>4,171</u>	 <u>8,472</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	 (25,104)	 (116,189)	 39,700	 (101,593)
 Cash and Cash Equivalents at Beginning of Year	 201,190	 243,234	 243,584	 688,008
 Cash and Cash Equivalents at End of Year	 <u>\$ 176,086</u>	 <u>\$ 127,045</u>	 <u>\$ 283,284</u>	 <u>\$ 586,415</u>

CITY OF BANNING**Schedule 8**
Page 2 of 2**COMBINING STATEMENT OF CASH FLOWS**
NONMAJOR ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<u>Airport</u>	<u>Transit</u>	<u>Refuse Utility</u>	<u>Totals</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)				
Operating income (loss)	\$ (35,485)	\$ (1,142,492)	\$ 78,173	\$ (1,099,804)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	101,033	277,899	-	378,932
Miscellaneous revenue	3,061	909,144	45,013	957,218
(Increase) decrease in accounts receivable	(697)	(1,219)	(41,854)	(43,770)
(Increase) decrease in due from other governments	238,237	(78,367)	-	159,870
(Increase) decrease in inventories	11,996	-	-	11,996
(Increase) decrease in prepaid expense	-	-	-	-
Increase (decrease) in accounts payable	(241,965)	7,155	4,369	(230,441)
Increase (decrease) in accrued liabilities	131	5,771	231	6,133
Increase (decrease) in deposits payable	1,422	-	3,158	4,580
Increase (decrease) in deferred revenue	-	(66,000)	-	(66,000)
Increase (decrease) in compensated absences	(65)	15,836	1,439	17,210
Total Adjustments	113,153	1,070,219	12,356	1,195,728
Net Cash Provided (Used) by Operating Activities				
Net Cash Provided (Used) by Operating Activities	<u>\$ 77,668</u>	<u>\$ (72,273)</u>	<u>\$ 90,529</u>	<u>\$ 95,924</u>

Schedule of Noncash Transactions:

There were no noncash transactions during the year.

CITY OF BANNING

Schedule 9

COMBINING STATEMENT OF NET FUND ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2005

	Self Insurance	Fleet Maintenance	Information Services	Public Works Administration	Utility Billing Accounting & Collection	Totals
Assets:						
Current:						
Cash and investments	\$ 2,181,785	\$ 207,396	\$ 194,364	\$ 136,321	\$ 172,689	\$ 2,892,555
Receivables:						
Accounts	-	31,927	-	-	25,939	57,866
Interest	10,846	1,442	1,203	1,003	1,117	15,611
Loans	-	2,346	-	-	3,961	6,307
Due from other governments	-	3,047	7,491	-	-	10,538
Inventories	-	64,285	-	-	-	64,285
Total Current Assets	2,192,631	310,443	203,058	137,324	203,706	3,047,162
Noncurrent:						
Capital assets - net of accumulated depreciation	-	375,378	63,956	68,486	51,460	559,280
Total Assets	\$ 2,192,631	\$ 685,821	\$ 267,014	\$ 205,810	\$ 255,166	\$ 3,606,442
Liabilities and Net Assets:						
Liabilities:						
Current:						
Accounts payable	\$ 30,223	\$ 40,086	\$ 1,034	\$ 105	\$ 2,692	\$ 74,140
Accrued liabilities	3,679	9,632	6,403	11,265	25,481	56,460
Deposits payable	928	-	-	-	-	928
Total Current Liabilities	34,830	49,718	7,437	11,370	28,173	131,528
Noncurrent:						
Compensated absences	17,571	43,996	16,382	142,865	71,407	292,221
Claims payable	677,225	-	-	-	-	677,225
Total Noncurrent Liabilities	694,796	43,996	16,382	142,865	71,407	969,446
Total Liabilities	729,626	93,714	23,819	154,235	99,580	1,100,974
Net Assets:						
Invested in capital assets, net of related debts	-	375,378	63,956	68,486	51,460	559,280
Unrestricted	1,463,005	216,729	179,239	(16,911)	104,126	1,946,188
Total Net Assets	1,463,005	592,107	243,195	51,575	155,586	2,505,468
Total Liabilities and Net Assets	\$ 2,192,631	\$ 685,821	\$ 267,014	\$ 205,810	\$ 255,166	\$ 3,606,442

CITY OF BANNING

Schedule 10

**COMBINING STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN FUND NET ASSETS**
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2005

	Self Insurance	Fleet Maintenance	Information Services	Public Works Administration	Utility Billing Accounting & Collection	Totals
Operating Revenues:						
Sales and service charges	\$ 1,609,233	\$ 877,156	\$ 339,803	\$ 517,200	\$ 1,193,114	\$ 4,536,506
Total Operating Revenues	1,609,233	877,156	339,803	517,200	1,193,114	4,536,506
Operating Expenses:						
Salaries and benefits	133,543	262,343	161,766	339,094	709,421	1,606,167
Supplies and services	233,342	515,961	49,223	200,133	414,869	1,413,528
Repairs and maintenance	-	50,057	11,730	475	27,412	89,674
Insurance premiums	645,688	-	-	-	-	645,688
Depreciation	-	16,565	29,017	23,436	22,047	91,065
Total Operating Expenses	1,012,573	844,926	251,736	563,138	1,173,749	3,846,122
Operating Income (Loss)	596,660	32,230	88,067	(45,938)	19,365	690,384
Non-Operating Revenues (Expenses):						
Interest revenue	38,517	3,789	2,666	2,964	2,568	50,504
Miscellaneous	54,380	8,128	30,377	6,800	-	99,685
Total Non-Operating Revenues	92,897	11,917	33,043	9,764	2,568	150,189
Income Before Contributions and Transfers	689,557	44,147	121,110	(36,174)	21,933	840,573
Change in Net Assets	\$ 689,557	\$ 44,147	\$ 121,110	\$ (36,174)	\$ 21,933	\$ 840,573
Net Assets:						
Beginning of Fiscal Year, as originally reported	\$ 773,448	\$ 547,960	\$ 122,085	\$ 87,749	\$ 118,782	\$ 1,650,024
Restatements	-	-	-	-	14,871	14,871
Beginning of Fiscal Year, as restated	773,448	547,960	122,085	87,749	133,653	1,664,895
Change in Net Assets	689,557	44,147	121,110	(36,174)	21,933	840,573
End of Fiscal Year	\$ 1,463,005	\$ 592,107	\$ 243,195	\$ 51,575	\$ 155,586	\$ 2,505,468

CITY OF BANNING

Schedule 11

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Self Insurance	Fleet Maintenance	Information Services	Public Works Administration	Utility Billing Accounting & Collection	Totals
Cash Flows from Operating Activities:						
Cash received from interfund service provided	\$ 1,643,077	\$ 877,034	\$ 339,803	\$ 517,200	\$ 1,181,212	\$ 4,558,326
Cash received from miscellaneous revenues	54,380	7,719	22,886	6,800	-	91,785
Cash paid to suppliers for goods and services	(224,489)	(583,245)	(60,163)	(200,508)	(437,672)	(1,506,077)
Cash paid to employees for services	(165,075)	(245,124)	(150,662)	(303,165)	(677,165)	(1,541,191)
Cash paid for claims	(1,109,899)	-	-	-	-	(1,109,899)
Net Cash Provided (Used) by Operating Activities	197,994	56,384	151,864	20,327	66,375	492,944
Cash Flows from Capital and Related Financing Activities:						
Purchases, acquisition and construction of capital assets	-	-	(31,494)	-	(14,865)	(46,359)
Net Cash Provided (Used) by Capital and Related Financing Activities	-	-	(31,494)	-	(14,865)	(46,359)
Cash Flows from Investing Activities:						
Interest received	33,662	2,782	1,792	2,328	1,827	42,391
Net Cash Provided (Used) by Investing Activities	33,662	2,782	1,792	2,328	1,827	42,391
Net Increase (Decrease) in Cash and Cash Equivalents	231,656	59,166	122,162	22,655	53,337	488,976
Cash and Cash Equivalents at Beginning of Year	1,950,129	148,230	72,202	113,666	119,352	2,403,579
Cash and Cash Equivalents at End of Year	\$ 2,181,785	\$ 207,396	\$ 194,364	\$ 136,321	\$ 172,689	\$ 2,892,555
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:						
Operating income (loss)	\$ 596,660	\$ 32,230	\$ 88,067	\$ (45,938)	\$ 19,365	\$ 690,384
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	-	16,565	29,017	23,436	22,047	91,065
Miscellaneous revenues	54,380	8,128	30,377	6,800	-	99,685
(Increase) decrease in accounts receivable	33,844	(122)	-	-	(11,902)	21,820
(Increase) decrease in loans receivable	-	(1,955)	-	-	2,236	281
(Increase) decrease in inventories	-	(25,987)	-	-	-	(25,987)
(Increase) decrease in due from other governments	-	(409)	(7,491)	-	-	(7,900)
Increase (decrease) in accounts payable	8,853	10,715	790	100	2,373	22,831
Increase (decrease) in accrued liabilities	(174)	2,524	3,325	2,963	8,074	16,712
Increase (decrease) in compensated absences	(31,358)	14,695	7,779	32,966	24,182	48,264
Increase (decrease) in claims payable	(464,211)	-	-	-	-	(464,211)
Total Adjustments	(398,666)	24,154	63,797	66,265	47,010	(197,440)
Net Cash Provided (Used) by Operating Activities	\$ 197,994	\$ 56,384	\$ 151,864	\$ 20,327	\$ 66,375	\$ 492,944

Schedule of Noncash Transactions:

There were no noncash transactions during the year.

CITY OF BANNING

Schedule 12

COMBINING BALANCE SHEET
ALL AGENCY FUNDS
JUNE 30, 2005

	Sun Lake CFD 86-1	Special AD 91-1	Area Police Computer	Fair Oaks AD 2004-1	Totals
Assets:					
Cash and investments	\$ 123,883	\$ 281,449	\$ 12,224	\$ -	\$ 417,556
Receivables:					
Accounts	-	-	-	3,216	3,216
Interest	697	1,430	176	37	2,340
Due from other governments	2,034	7,444	-	-	9,478
Due from other funds	-	-	5	-	5
Restricted assets:					
Cash with fiscal agent	386,753	335,919	-	225,414	948,086
Total Assets	\$ 513,367	\$ 626,242	\$ 12,405	\$ 228,667	\$ 1,380,681
Liabilities:					
Accounts payable	\$ -	\$ 361	\$ 42	\$ -	\$ 403
Deposits payable	-	14,457	-	-	14,457
Due to other funds	-	-	-	3,225	3,225
Due to bondholders	513,367	611,424	12,363	225,442	1,362,596
Total Liabilities	\$ 513,367	\$ 626,242	\$ 12,405	\$ 228,667	\$ 1,380,681

CITY OF BANNING

Schedule 13
Page 1 of 2COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
<u>Sun Lakes CFD #86-1</u>				
Assets:				
Cash and investments	\$ 500,053	\$ 1,133,240	\$ 1,509,410	\$ 123,883
Receivable:				
Accounts	149	298	447	-
Interest	1,384	3,464	4,151	697
Due from other governments	9,076	20,187	27,229	2,034
Restricted assets:				
Cash with fiscal agent	382,902	773,177	769,326	386,753
Total Assets	\$ 893,564	\$ 1,930,366	\$ 2,310,563	\$ 513,367
Liabilities:				
Accounts payable	\$ 1,796	\$ 14,134	\$ 15,930	\$ -
Due to bondholders	891,768	128,750	507,151	513,367
Total Liabilities	\$ 893,564	\$ 142,884	\$ 523,081	\$ 513,367
<u>Special Assessment District 91-1</u>				
Assets:				
Cash and investments	\$ 262,909	\$ 895,764	\$ 877,224	\$ 281,449
Receivable:				
Accounts	4,197	8,393	12,590	-
Interest	614	2,660	1,844	1,430
Due from other governments	12,285	32,014	36,855	7,444
Restricted assets:				
Cash with fiscal agent	333,458	673,317	670,856	335,919
Total Assets	\$ 613,463	\$ 1,612,148	\$ 1,599,369	\$ 626,242
Liabilities:				
Accounts payable	\$ 351	\$ 9,758	\$ 9,748	\$ 361
Deposits payable	10,081	36,055	31,679	14,457
Due to bondholders	603,031	360,835	352,442	611,424
Total Liabilities	\$ 613,463	\$ 406,648	\$ 393,869	\$ 626,242
<u>Area Police Computer</u>				
Assets:				
Cash and investments	\$ 19,318	\$ 69,718	\$ 76,812	\$ 12,224
Receivable:				
Interest	131	438	393	176
Due from other funds	-	5	-	5
Total Assets	\$ 19,449	\$ 70,161	\$ 77,205	\$ 12,405
Liabilities:				
Accounts payable	\$ 283	\$ 29,959	\$ 30,200	\$ 42
Deposits payable	19,166	-	19,166	-
Due to bondholders	-	48,438	36,075	12,363
Total Liabilities	\$ 19,449	\$ 78,397	\$ 85,441	\$ 12,405

CITY OF BANNING
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Schedule 13
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	<u>Balance</u> <u>July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2005</u>
<u>Fair Oaks AD #2004-1</u>				
Assets:				
Cash and investments	\$ 11,897	\$ 41,543	\$ 53,440	\$ -
Receivable:				
Accounts	-	3,216	-	3,216
Interest	42	121	126	37
Restricted assets:				
Cash with fiscal agent	-	225,414	-	225,414
Total Assets	<u>\$ 11,939</u>	<u>\$ 270,294</u>	<u>\$ 53,566</u>	<u>\$ 228,667</u>
Liabilities:				
Accounts payable	\$ 1,446	\$ 30,950	\$ 32,396	\$ -
Deposits payable	10,493	35,176	45,669	-
Due to other funds	-	3,225	-	3,225
Due to bondholders	-	253,501	28,059	225,442
Total Liabilities	<u>\$ 11,939</u>	<u>\$ 322,852</u>	<u>\$ 106,124</u>	<u>\$ 228,667</u>
<u>Totals - All Agency Funds</u>				
Assets:				
Cash and investments	\$ 794,177	\$ 2,140,265	\$ 2,516,886	\$ 417,556
Receivable:				
Accounts	4,346	11,907	13,037	3,216
Interest	2,171	6,683	6,514	2,340
Due from other governments	21,361	52,201	64,084	9,478
Due from other funds	-	5	-	5
Restricted assets:				
Cash with fiscal agent	716,360	1,671,908	1,440,182	948,086
Total Assets	<u>\$ 1,538,415</u>	<u>\$ 3,882,969</u>	<u>\$ 4,040,703</u>	<u>\$ 1,380,681</u>
Liabilities:				
Accounts payable	\$ 3,876	\$ 84,801	\$ 88,274	\$ 403
Deposits	39,740	71,231	96,514	14,457
Due to other funds	-	3,225	-	3,225
Due to bondholders	1,494,799	791,524	923,727	1,362,596
Total Liabilities	<u>\$ 1,538,415</u>	<u>\$ 950,781</u>	<u>\$ 1,108,515</u>	<u>\$ 1,380,681</u>

