CERTIFIED PUBLIC ACCOUNTANTS

BANNING REDEVELOPMENT AGENCY
BANNING, CALIFORNIA

FINANCIAL STATEMENTS

JUNE 30, 2011

Lance Soll & Lunghard, LLP

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Chair and Members of the Governing Board
Banning Redevelopment Agency, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Banning Redevelopment Agency (Agency), a component unit of the City of Banning, California as of and for the year ended June 30, 2011, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Agency, as of June 30, 2011, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

We would like to draw the reader's attention to Note 13 – "California Redevelopment Agency Uncertainty". The note provides information on two bills passed, AB1X26 and 27 which dissolve redevelopment agencies effective October 1, 2011 and provide an option to avoid dissolution by making certain defined payments.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2011, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's financial statements as a whole. The combining project area statements and computation of low and moderate income housing funds excess/surplus are presented for purposes of additional analysis and are not a required part of the financial statements. These are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures

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CERTIFIED PUBLIC ACCOUNTANTS

To the Honorable Chair and Members of the Governing Board
Banning Redevelopment Agency, California

applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The Agency has not presented a management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Lance, Soll & Lunghard, LLP

Brea, California
December 27, 2011

LSL
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL CONTORL OVER COMPLIANCE

To the Honorable Chair and Members of the Governing Board
Banning Redevelopment Agency, California

Compliance

We have audited the Banning Redevelopment Agency's (Agency) compliance with the California Health and Safety Code as required by Section 33080.1 for the year ended June 30, 2011. Compliance with the requirements referred to above is the responsibility of Agency's management. Our responsibility is to express an opinion on Agency's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Guidelines for Compliance Audits of California Redevelopment Agencies, June 2011*, issued by the State Controller and as interpreted in the *Auditing Procedures for Accomplishing Compliance Audits of California Redevelopment Agencies, August 2011*, issued by the Governmental Accounting and Auditing Committee of the California Society of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on redevelopment program has occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Agency's compliance with those requirements.

In our opinion, the Agency complied, in all material respects, with the compliance requirements referred to above that are applicable to the redevelopment program for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the Agency's internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis.

To the Honorable Chair and Members of the Governing Board
Banning Redevelopment Agency, California

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information of management, the Audit Committee, and the California State Controller and it is not intended to be and should not be used by anyone other then these specified parties.

Lance, Soll & Lunghard, LLP

Brea, California
December 27, 2011

BANNING REDEVELOPMENT AGENCY

STATEMENT OF NET ASSETS
JUNE 30, 2011

		Governmental Activities
Assets:		
Cash and investments		$ 8,900,475
Receivables:		
Tax increment	$ 5,096	
Accounts	572	
Interest	14,152	
Loans	8,060,319	
Total receivables		8,080,139
Deferred charges		1,238,873
Restricted assets:		
Cash and investments with trustees		14,819,558
Total Assets		**33,039,045**
Liabilities:		
Accounts payable and accrued expenses		1,594,600
Due to other governments		1,095,300
Deposits from others		66,202
Other current liabilities		24,064
Long-term liabilities:		
Due within one year	1,058,401	
Due in more than one year	47,305,792	
Total long-term liabilities		48,364,193
Total Liabilities		**51,144,359**
Net Assets:		
Restricted for:		
Debt service		1,200,922
Low and moderate income housing		5,388,069
Unrestricted		(24,694,305)
Total Net Assets		**$ (18,105,314)**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

		Program Revenues			Net (Expense) Revenues and Changes in Net Assets
	Expenses	Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	Governmental Activities
Functions/Programs					
Governmental Activities:					
General government	$ 5,597,048	$ -	$ -	$ -	$ (5,597,048)
Interest on long-term debt	2,118,090	-	-	-	(2,118,090)
Contributions to other governments	392,415	-	-	-	(392,415)
Contributions to/from City	9,893,228	-	3,355,509	-	(6,537,719)
Total Governmental Activities	**$ 18,000,781**	**$ -**	**$ 3,355,509**	**$ -**	**(14,645,272)**
General Revenues:					
Taxes (net of pass-through payments)					3,714,795
Use of money and property					3,489,763
Other					10,104
Total General Revenues					**7,214,662**
Change in Net Assets					(7,430,610)
Net Assets at Beginning of Year					(6,969,923)
Restatement of Net Assets					(3,704,781)
Net Assets at End of Year					**$ (18,105,314)**

BANNING REDEVELOPMENT AGENCY

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	Capital Projects	Capital Projects	Debt Service	
	Merged Downtown and Midway	Merged Downtown and Midway	Merged Downtown and Midway	
	Project	Low and Moderate Housing	Tax Increment	Total Governmental Funds
Assets:				
Cash and investments	$ 4,699,503	$ 3,130,033	$ 1,070,939	$ 8,900,475
Cash and investments with trustee	11,929,357	-	2,890,201	14,819,558
Receivables:				
Tax increment	25	-	5,071	5,096
Accounts	176	396	-	572
Interest	7,644	5,874	634	14,152
Loans	6,995,029	1,065,290	-	8,060,319
Advances to tax increment fund	-	2,298,433	-	2,298,433
Total Assets	**$ 23,631,734**	**$ 6,500,026**	**$ 3,966,845**	**$ 34,098,605**
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	$ 356,115	$ 44,431	$ 467,490	$ 868,036
Deposits from others	66,202	-	-	66,202
Due to City	1,095,300	-	-	1,095,300
Deferred revenue	5,914,501	1,065,290	-	6,979,791
Advances from low and moderate housing funds	-	-	2,298,433	2,298,433
Accrued liabilities	21,828	2,236	-	24,064
Total Liabilities	**7,453,946**	**1,111,957**	**2,765,923**	**11,331,826**
Fund Balances:				
Nonspendable:				
Loans receivable and advances	1,080,528	2,298,433	-	3,378,961
Restricted for:				
Debt service	-	-	1,200,922	1,200,922
Low and moderate income housing	-	3,089,636	-	3,089,636
Assigned to:				
Capital Projects	15,097,260	-	-	15,097,260
Total Fund Balances	**16,177,788**	**5,388,069**	**1,200,922**	**22,766,779**
Total Liabilities and Fund Balances	**$ 23,631,734**	**$ 6,500,026**	**$ 3,966,845**	**$ 34,098,605**

See Notes to Financial Statements

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

Fund balances of governmental funds	**$ 22,766,779**
Amounts reported for governmental activities in the statement of net assets are different because:	
Deferred revenue is present in governmental fund financial statements to indicate that receivables are not available currently; however, in the statement of net assets these deferrals are eliminated.	6,979,791
Bond issuance costs is an expenditure in the governmental funds, but it is deferred charges in the statement of net assets:	
Unamortized debt issuance costs - amortized over life of new bonds	1,238,873
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds	
Bonds payable	(40,780,000)
Developer loans	(36,205)
Loans from City	(7,175,525)
Other debt	(1,133,602)
Unamortized net original issue discounts and (premiums)	761,139
Accrued interest payable for the current portion of interest due on long-term debt has not been reported in the governmental funds.	(726,564)
Net assets of governmental activities	**$ (18,105,314)**

BANNING REDEVELOPMENT AGENCY

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

	Capital Projects	Capital Projects	Debt Service	
	Merged Downtown and Midway	Merged Downtown and Midway	Merged Downtown and Midway	
	Project	Low and Moderate Housing	Tax Increment	Total Governmental Funds
Revenues:				
Taxes and assessments	$ -	$ 879,924	$ 3,519,694	$ 4,399,618
Use of money and property	63,982	18,477	558,000	640,459
Other revenue	10,104	-	-	10,104
Total Revenues	**74,086**	**898,401**	**4,077,694**	**5,050,181**
Expenditures:				
Current:				
General government	1,827,770	125,029	38,794	1,991,593
Capital outlay	2,548,155	1,069,844	-	3,617,999
Debt service	-	-	7,184,905	7,184,905
Total Expenditures	**4,375,925**	**1,194,873**	**7,223,699**	**12,794,497**
Excess (Deficiency) of Revenues Over (Under) Expenditures	**(4,301,839)**	**(296,472)**	**(3,146,005)**	**(7,744,316)**
Other Financing Sources (Uses):				
Transfers in	573,084	-	192,304	765,388
Transfers out	-	(192,304)	(573,084)	(765,388)
Pass-through agreement payments	-	-	(684,823)	(684,823)
Payment to Supplemental Educational Revenue Augmentation Fund	-	-	(392,415)	(392,415)
Contributions from/(to) City	(6,206,511)	-	3,355,509	(2,851,002)
Total Other Financing Sources (Uses):	**(5,633,427)**	**(192,304)**	**1,897,491**	**(3,928,240)**
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	**$ (9,935,266)**	**$ (488,776)**	**$ (1,248,514)**	**$ (11,672,556)**
Fund Balances:				
Beginning of Year, as previously reported	$ 29,817,835	$ 5,876,845	$ 2,449,436	$ 38,144,116
Restatements	(3,704,781)	-	-	(3,704,781)
Beginning of Year, as restated	26,113,054	5,876,845	2,449,436	34,439,335
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	**(9,935,266)**	**(488,776)**	**(1,248,514)**	**(11,672,556)**
End of Year	**$ 16,177,788**	**$ 5,388,069**	**$ 1,200,922**	**$ 22,766,779**

BANNING REDEVELOPMENT AGENCY

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

Net change in fund balances - total governmental funds	**$ (11,672,556)**
Amounts reported for governmental activities in the statement of activities are different because:	
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	5,107,903
Bond issuance costs is an expenditure in the governmental funds, but it is deferred charges in the statement of net assets:	
Amortization for current fiscal year	(56,685)
Unamortized premium or discounts on bonds issued are revenue or expenditures in the governmental funds, but these are spread to future periods over the life of the new bonds:	
Amortization for current fiscal year	(30,236)
Collections on receivables and loan transactions offset by deferred revenue are reported as revenue and expenditures in governmental funds; however, they do not provide revenue or expenses in the statement of activities.	2,849,304
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets in capitalized and allocated over their estimated useful lives through depreciation expense:	
Transfer of capital assets to the City	(3,686,717)
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:	
Current accrual of interest due on bonds	(726,564)
Prior year accrual of interest due on bonds	784,941
Change in net assets of governmental activities	**$ (7,430,610)**

I. SIGNIFICANT ACCOUNTING POLICIES

Note 1: Organization and Summary of Significant Accounting Policies

a. Description of the Reporting Entity

The Banning Redevelopment Agency is a component unit of a reporting entity, which consists of the following primary and component units:

Reporting Entity:

Primary Government:

City of Banning

Component Units:

Banning Redevelopment Agency
Banning Public Facilities Corporation
Banning Public Financing Authority
Banning Utility Authority

The attached basic financial statements contain information relative only to the Banning Redevelopment Agency as one component unit, which is an integral part of the total reporting entity. They do not contain financial data relating to the other component units.

The Banning Redevelopment Agency (the Agency) was established in 1973, pursuant to the State of California Health and Safety Code, Section 33000, entitled "Community Redevelopment Law." Its purpose is to prepare and carry out plans for improvement, rehabilitation and redevelopment of blighted areas within the territorial limits of the City of Banning.

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 financial statements.

The City of Banning Financing Authority was formed by a joint exercise of powers agreement between the City of Banning (the City) 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.

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

The Banning Utility Authority (the Utility Authority) was formed on July 12, 2005, pursuant to a joint exercise of powers agreement between the City of Banning and the Banning Redevelopment Agency. The purpose of the Utility Authority is to provide for the lease, ownership, operation, management and maintenance of any City owned Utility System, and the financing of Public Capital Improvements or Working Capital Requirements relating to any Utility System. Separate financial statements are not prepared for the Utility Authority. Its activities are included with the City's financial statements.

The Agency is a component unit of the City of Banning and, accordingly, the financial statements of the Agency are included in the financial statements of the City of Banning.

The accounting policies of the Agency conform to accounting principles generally accepted in the United States of America, as they are applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies reflected in the financial statements are summarized as follows:

b. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Agency has no business-type activities. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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.

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

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.

In fiscal year 2002-2003 the Agency merged the Downtown and Midway project areas.

The Agency reports the following major governmental funds:

Capital Project Funds - Used to account for financial resources used for the acquisition of major capital facilities:

Merged Downtown and Midway Project Area - Low and Moderate Housing Fund
Merged Downtown and Midway Project Area - Project Fund

Debt Service Funds - Used to account for the payment of interest and principal on long-term obligations:

Merged Downtown and Midway Project Area - Tax Increment Fund

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

d. Assets, Liabilities and Net Assets or Equity

1. Investments

Investments for the Agency 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.

2. 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."

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

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

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

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. The County of Riverside collects property taxes for the Agency. Tax liens attach annually as of 12:01 A.M. on the first day in January preceding the fiscal year for which the taxes are levied. The tax levy covers the fiscal period July 1 to June 30. All secured personal property taxes and one-half of the taxes on real property are due November 1 and the second installment is due March 1. All taxes are delinquent if unpaid on December 10 and April 10, respectively.

Unsecured personal property taxes become due on the first of January each year and are delinquent on August 31.

3. Capital Assets

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

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

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

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

Asset	Years
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

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

4. Long-Term Obligations

   In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities 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 straight-line 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.

   Compensated absences include an accrual for vacation, holiday, compensatory time and sick pay benefits due employees, which are reflected in the government-wide financial statements.

5. Fund Equity

   The Agency implemented Governmental Accounting Standards Board Statement 54, “Fund Balance Reporting and Governmental Fund Type Definitions”, for the year ended June 30, 2011. As a result, the Agency now reports the following classifications of fund balance:

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

   Restricted Fund Balance - Includes amounts that have constraints on the use of resources by being externally imposed, imposed by law through constitution, or through enabling legislation.

   Assigned Fund Balance – Includes amounts that are constrained by the Agency’s intent to be used for a specific purpose.

   Unassigned Fund Balance - The residual classification which includes all spendable amounts not contained in other classifications.

   The Agency’s Board authorizes assigned amounts for specific purposes pursuant to the policy-making powers granted through a resolution. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Agency considers restricted amounts to be used first, then unrestricted. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, they are considered to be spent in the order as follows: committed, assigned and then unassigned.

II. STEWARDSHIP

Note 2: Stewardship, Compliance and Accountability

Budgetary Data

General Budget Policies

The Governing Board approves each year's budget submitted by the Executive Director prior to the beginning of the new fiscal year. The Board conducts public meetings prior to its adoption. The budget is prepared by fund, function and activity, and includes information on the past year, current year estimates and requested appropriations for the next fiscal year. Supplemental appropriations when required during the period are also approved by the Board. Intradepartmental budget changes are approved by the Executive Director. In most cases, expenditures may not exceed appropriations at the departmental level. At fiscal year-end, all operating budget appropriations lapse. During the year several supplementary appropriations were necessary.

Budget Basis of Accounting

Budgets for governmental funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

III. DETAILED NOTES ON FUNDS

Note 3: Cash and Investments

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

Cash and investments pooled with the City	$ 8,900,475
Cash and investments with fiscal agent	14,819,558
	$ 23,720,033

The Agency's funds are pooled with the City of Banning's cash and investments in order to generate optimum interest income. The City has implemented GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. This pronouncement is an amendment to GASB Statement No. 3. GASB No. 40 establishes and modifies disclosure requirements related to deposit and investment risks. The information required by GASB Statement No. 40 related to authorized investments, credit risk, etc. is available in the annual report of the City.

Note 4: Loans Receivable

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

Note 4: Loans Receivable (Continued)

Description	Balance at June 30, 2011
Façade improvement loans	$ 2,596,706
Owners participation loans	4,098,323
Disposition and development agreements	300,000
First time home buyer down payment assistance loans	460,000
Rehabilitation loans	605,290
Total loans receivable at June 30, 2011	$ 8,060,319

Note 5: Capital Assets

Changes in the components of the capital assets for the fiscal year were as follows:

	Beginning Balance	Increases	Decreases	Transfers*	Ending Balance
Governmental Activities:					
Capital assets, not being depreciated:					
Land	$ 25,895	$ -	$ -	$ (25,895)	$ -
Work in process	150,714	-	-	(150,714)	-
Total capital assets not being depreciated	176,609	-	-	(176,609)	-
Capital assets, being depreciated:					
Land improvements	1,520,001	-	-	(1,520,001)	-
Office furniture/equipment	22,640	-	-	(22,640)	-
Building and improvements	45,132	-	-	(45,132)	-
Machinery and equipment	5,737	-	-	(5,737)	-
Utility plant	193,588	-	-	(193,588)	-
Infrastructure	2,126,998	-	-	(2,126,998)	-
Total capital assets being depreciated	3,914,096	-	-	(3,914,096)	-
Less accumulated depreciation:					
Land improvements	247,729	-	-	(247,729)	-
Office furniture/equipment	21,444	-	-	(21,444)	-
Building and improvements	27,872	-	-	(27,872)	-
Machinery and equipment	4,687	-	-	(4,687)	-
Utility Plant	18,447	-	-	(18,447)	-
Infrastructure	83,809	-	-	(83,809)	-
Total accumulated depreciation:	403,988	-	-	(403,988)	-
Total capital assets being depreciated, net	3,510,108	-	-	(3,510,108)	-
Governmental activities capital assets, net	$ 3,686,717	$ -	$ -	$ (3,686,717)	$ -

* During the current fiscal year, all capital assets were transferred to the City of Banning. This resulted in a contribution to the City of $3,686,717.

Note 6: Long-Term Debt

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

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011	Due Within One Year
Merged Downtown and Midway					
1997 Certificate of Participation	$ 4,210,000	$ -	$ 4,210,000	$ -	$ -
2003 Tax Allocation Bonds	11,835,000	-	410,000	11,425,000	425,000
2007 Tax Allocation Bonds	29,720,000	-	365,000	29,355,000	505,000
Notes Payable	1,171,566	-	37,964	1,133,602	40,021
City Loans	7,247,920	-	72,395	7,175,525	76,086
Compensated absences	48,749	4,010	16,554	36,205	12,294
Total	$ 54,233,235	$ 4,010	$ 5,111,913	49,125,332	$ 1,058,401
Less:					
Unamortized original issue discount				(761,139)	
Net Long-Term Debt				$ 48,364,193	

1997 Certificates of Participation

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

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

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

The Certificates maturing from 1997 to 2011 are serial certificates payable in annual installments of $45,000 to $305,000, while the Certificates maturing in 2020 are term certificates with sinking fund payments payable in annual installments of $320,000 to $495,000. Interest is payable semi-annually on each May 1 and November 1, commencing November 1, 1997, at rates ranging from 4.0% to 5.5% per annum. In May 2011 these bonds were redeemed with the issuance of the 2011 Lease Revenue Agreement issued by the City of Banning.

Note 6: Long-Term Debt (Continued)

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 $2,545,000 outstanding balance of 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 or by lot from sinking fund payments made by the Agency. On July 29, 2009, Moody's investors service downgraded its underlying rating on these bonds to "Caa2+" from "Ba3" due to a decline in the assessed valuations in the project area which has resulted in a drop in the debt service coverage.

A reserve fund is established in the amount of $971,763 from the bond proceeds as security for the bond owners. The bonds are further secured by a financial guarantee insurance policy. The bonds are a special obligation of the Banning Redevelopment Agency payable from tax revenues. The amount of bonds outstanding at June 30, 2011, totaled $11,425,000.

2007 Tax Allocation Bonds

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

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

Serial bonds maturing on or after August 1, 2014, are subject to redemption prior to maturity, in whole or in part at the option of the Agency from any available source of funds. Term bonds maturing on August 1, 2037, are subject to mandatory redemption in part or by lot from sinking fund payments made by the Agency. The amount of bonds outstanding at June 30, 2011, totaled $29,355,000.

Note 6: Long-Term Debt (Continued)

Note Payable

On August 27, 2008, the Agency entered into a promissory note. The note amount was $200,000 and is subject to an interest rate of 6.5% per annum. The note is payable in fifteen annual installments of $20,531. The principal amount of this note represents the agreed-upon amount for the purchase of real property. At June 30, 2011, the outstanding balance on the note payable is $167,505.

On July 29, 2009, the Agency purchased real property for $1,253,393 located at 2301 W. Ramsey Street (APN 538-162-016-6) to provide public benefit in the future with private development. In order to finance the purchase, the Agency entered into a promissory note for the amount of $1,020,000. The note is subject to a 6% interest rate and payable monthly in amounts of $7,308 for seven years with the remaining balance to be paid off at the end of year seven. At June 30, 2011, the outstanding balance on the note payable is $966,097.

City Loans

During the fiscal year 1993-1994 the City of Banning's Electric Utility Fund advanced funds to the Agency in order to assist in the implementation of the Owner Participation Agreement with Colescott, Inc. for the development of the Sunset Auto Plaza. The loan agreement is subject to a 5% interest rate and payable in 20 years. As of June 30, 2011, the outstanding balance is $175,525.

During the fiscal year 2008-2009 the City of Banning's Water and Electric Utility Fund advanced funds to the Agency in order to finance the cost of certain public facilities within the project area. As of June 30, 2011, the outstanding balance is $7,000,000. There is no definite repayment date.

Compensated Absences

The accompanying financial statements include an accrual for vacation, holiday, compensatory time and sick pay benefits due employees at June 30, 2011, in the amount of $36,205.

Debt Service Requirements

The following schedule illustrates the debt service requirements to maturity for bonds outstanding as of June 30, 2011:

	2003 Tax Allocation Bonds		2007 Tax Allocation Parity Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2011 - 2012	$ 425,000	$ 536,898	$ 505,000	$ 1,210,516	$ 930,000	$ 1,747,414
2012 - 2013	440,000	518,195	570,000	1,189,016	1,010,000	1,707,211
2013 - 2014	460,000	497,995	695,000	1,163,716	1,155,000	1,661,711
2014 - 2015	480,000	478,895	710,000	1,137,391	1,190,000	1,616,286
2015 - 2016	500,000	458,370	750,000	1,111,466	1,250,000	1,569,836
2016 - 2021	2,855,000	1,924,713	4,185,000	5,107,556	7,040,000	7,032,269
2021 - 2026	3,625,000	1,130,625	5,085,000	4,185,725	8,710,000	5,316,350
2026 - 2031	2,640,000	202,500	7,355,000	2,947,781	9,995,000	3,150,281
2031 - 2036	-	-	6,940,000	1,345,094	6,940,000	1,345,094
2036 - 2041	-	-	2,560,000	110,031	2,560,000	110,031
Totals	$ 11,425,000	$ 5,748,191	$ 29,355,000	$ 19,508,292	$ 40,780,000	$ 25,256,483

Note 6: Long-Term Debt (Continued)

The following schedule illustrates the debt service requirements to maturity for the note payable outstanding as of June 30, 2011:

	Note Payable - Glick		Note Payable - DeZorzi		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2011-2012	$ 9,643	$ 10,888	$ 30,378	$ 57,313	$ 40,021	$ 68,201
2012-2013	10,270	10,261	32,411	55,280	42,681	65,541
2013-2014	10,937	9,593	34,410	53,281	45,347	62,874
2014-2015	11,648	8,883	36,532	51,159	48,180	60,042
2015-2016	12,405	8,125	38,649	49,041	51,054	57,166
2016-2021	75,223	27,431	793,717	4,045	868,940	31,476
2021-2026	37,379	3,683	-	-	37,379	3,683
Total	$ 167,505	$ 78,864	$ 966,097	$ 270,119	$ 1,133,602	$ 348,983

The following schedule illustrates the debt service requirements to maturity for the City Loans outstanding as of June 30, 2011:

	City Loans		
	Principal	Interest	Total
2011-2012	$ 76,086	$ 6,959	$ 83,045
2012-2013	79,965	3,081	83,046
2013-2014	19,474	141	19,615
Total	$ 175,525	$ 10,181	$ 185,706

Mortgage Revenue Bonds

The Banning Redevelopment Agency had mortgage revenue bonds outstanding at June 30, 2011, in the amount of $220,000.

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

Debt Service Requirements

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

IV. OTHER DISCLOSURES

Note 7: Interfund Receivables, Payables, and Transfer

Advances To/From Other Funds consisted of the following:

Funds	Advance to Other Funds: Low and Moderate Housing
Advance from Other Funds	
Tax Increment	$ 2,298,433
Total	$ 2,298,433

During the current fiscal year, the Low and Moderate Housing Fund made a loan to the Tax Increment Fund for $392,415 to make the SERAF payment that was due on May 10, 2011. The total amount of the loan outstanding as of June 30, 2011 relating to the SERAF payment is $2,298,433. The loan is to be repaid within 5 fiscal years of the borrowing dates, based on legislation that was passed.

Interfund transfers consisted of the following:

	Transfers Out		
Funds	Capital Projects - Housing	Tax Increment	Total
Transfers In:			
Capital Projects - Project	$ -	$ 573,084	$ 573,084
Tax Increment	192,304	-	192,304
Total	$ 192,304	$ 573,084	$ 765,388

The transfer from the Low/Moderate Housing Fund to the Tax Increment Fund for $192,304 was for a portion of the debt service proceeds payments.

The transfer from the Tax Increment Fund to the Capital Projects Fund for $573,084 was to support project expenditures.

Note 8: Prior Period Adjustments

Beginning fund balance and net assets have been restated as follows:

Capital Projects Funds:	
Project:	
To correct land held for resale purchased in prior years. sources.	$ (3,704,781)
Total Fund Balance and Net Asset Restatements	$ (3,704,781)

Note 9: Pass-Through Agreements

In order to lessen the fiscal impact of the tax increment financing of redevelopment projects on other units of local governments, the Agency has entered into pass-though agreements with various governmental agencies to "pass-through" portions of tax increment funds received by the Agency, attributable to the area within the territorial limits of other agencies.

Note 10: Risk Management

The Agency is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Agency participates in the City of Banning's Self-Insurance Fund (an internal service fund). It is the City's responsibility to administer the self-insured programs of insurance and pay all necessary premiums and liability claims. The Agency, along with other City funds, is required to pay interfund premiums to the self-insurance fund on an annual basis.

Note 11: Contributions to/from the City of Banning

During fiscal year 2010-2011, the Agency transferred land held for resale and capital assets to the City of Banning totaling $3,686,717 and $6,206,511, respectively. In addition, the City transferred $3,355,509 to the Agency which represents the proceeds of the 2011 Refunding Lease agreement with Compass Bank issued by the City which were used to refund the 1997 Certificates of Participation.

Note 12: SERAF Shift for fiscal year 2010-2011

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

The payment of the SERAF was due on May 10, 2011 for fiscal year 2010-2011 and it was made in the amount of $392,415. The legislation allowed this payment to be made from any available monies present in any project area(s). Subsequent legislation was passed which even allowed the funding for this payment to be borrowed from the Low and Moderate Income Housing Fund with appropriate findings from its legislative body. Any amounts borrowed from Low and Moderate Income Housing (including any suspended set-aside amounts) are to be repaid within 5 fiscal years from the borrowing date. If those amounts are not repaid, by that date, then the set-aside percentage to Low and Moderate Income Housing will increase from 20% to 25% for the remainder of the life of the Agency.

To accomplish the payment, the Agency borrowed $392,415 from the Low and Moderate Income Housing Fund (after adopting appropriate findings of necessity). Borrowings and/or suspended set-aside amounts relating to the Low and Moderate Income Housing Fund have been reflected as inter-fund advances between the accounting funds of the Agency.

Note 13: California Redevelopment Agency Uncertainty

On July 18, 2011, the California Redevelopment Association ("CRA") and the League of California Cities ("League") filed a petition for writ of mandate with the California Supreme Court, requesting the Court to declare unconstitutional two bills that were passed as part of the 2011-12 State Budget, AB1X 26 and 27. AB1X 26 dissolves redevelopment agencies effective October 1, 2011. AB1X 27 gives redevelopment agencies an option to avoid dissolution if it commits to making defined payments for the benefit of the State, school districts and certain special districts. In 2011-12, these payments amount to a state-wide total of $1.7 billion. In 2012-13 and subsequent years, the payments total $400 million, annually. Each city or county's share of these payments is determined based on its proportionate share of state-wide tax increment.

CRA and the League contend that AB1X 26 and 27 are unconstitutional because they violate Proposition 22 which was passed by the voters in November, 2010. The effect of the legislation is to achieve a possible unconstitutional result, the use of redevelopment agencies' tax increment funds to benefit the State and other units of local government, by way of threatening of the dissolution of redevelopment agencies.

Therefore, the CRA and the League have requested that the Court issue a stay, suspending the effectiveness of AB1X 26 and 27 until the Court can rule on its constitutionality. CRA and the League also asked the Court to expedite the briefing and hearing of the case so that a decision can be rendered by the Court before January 15, 2012, when the first payments are due. On August 11th, the California Supreme Court agreed to hear the case and granted a partial stay which was subsequently clarified.

As of the time of the issuance of this report, the outcome of AB1X 26 and 27 upon the Agency is unknown and consequently the status and even future existence of the Agency is uncertain as such. In accordance with AB1X 27, the Agency has passed a resolution of intent to continue and will be required to make a payment to the State by January 15, 2012, to avoid dissolution. The Department of Finance issued their estimated payment amounts and the Agency filed an appeal regarding the calculation. The Department of Finance reviewed the Agency's appeal regarding the calculation and on October 15, 2011, determined the estimated payment would be reduced, resulting in a payment amount of $1,293,436.

BANNING REDEVELOPMENT AGENCY

COMBINING PROJECT AREA BALANCE SHEET
ALL GOVERNMENTAL FUNDS
JUNE 30, 2011

	Merged Downtown and Midway			TOTALS	
	Debt Service	Capital Projects	Capital Projects		
	Tax Increment	Project	Low and Moderate Housing	Debt Service Funds	Capital Projects Funds
ASSETS					
Cash and investments	$ 1,070,939	$ 4,699,503	$ 3,130,033	$ 1,070,939	$ 7,829,536
Cash and investments with trustee	2,890,201	11,929,357	-	2,890,201	11,929,357
Receivables:					
Tax increment	5,071	25	-	5,071	25
Accounts	-	176	396	-	572
Interest	634	7,644	5,874	634	13,518
Loans	-	6,995,029	1,065,290	-	8,060,319
Advances to tax increment fund	-	-	2,298,433	-	2,298,433
Total Assets	**$ 3,966,845**	**$ 23,631,734**	**$ 6,500,026**	**$ 3,966,845**	**$ 30,131,760**
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 467,490	$ 356,115	$ 44,431	$ 467,490	$ 400,546
Deposits from others	-	66,202	-	-	66,202
Due to City	-	1,095,300	-	-	1,095,300
Deferred revenue	-	5,914,501	1,065,290	-	6,979,791
Advances from low and moderate housing funds	2,298,433	-	-	2,298,433	-
Accrued liabilities	-	21,828	2,236	-	24,064
Total Liabilities	**2,765,923**	**7,453,946**	**1,111,957**	**2,765,923**	**8,565,903**
Fund Balances:					
Nonspendable:					
Loans receivable and advances	-	1,080,528	2,298,433	-	3,378,961
Restricted for:					
Debt service	1,200,922	-	-	1,200,922	-
Low and moderate income housing	-	-	3,089,636	-	3,089,636
Assigned to:					
Community development	-	15,097,260	-	-	15,097,260
Total Fund Balances	**1,200,922**	**16,177,788**	**5,388,069**	**1,200,922**	**21,565,857**
Total Liabilities and Fund Balances	**$ 3,966,845**	**$ 23,631,734**	**$ 6,500,026**	**$ 3,966,845**	**$ 30,131,760**

BANNING REDEVELOPMENT AGENCY

COMBINING PROJECT AREA STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES ALL GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Merged Downtown and Midway			TOTALS	
	Debt Service	Capital Projects	Capital Projects		
	Tax Increment	Project	Low and Moderate Housing	Debt Service Funds	Capital Projects Funds
Revenues:					
Taxes and Assessments:					
Tax increment	$ 3,519,694	$ -	$ 879,924	$ 3,519,694	$ 879,924
Use of Money and Property:					
Interest income	73,895	51,232	18,477	73,895	69,709
Lease income	484,105	12,750	-	484,105	12,750
Other revenue:					
Miscellaneous	-	10,104	-	-	10,104
Total Revenues	**4,077,694**	**74,086**	**898,401**	**4,077,694**	**972,487**
Expenditures:					
Current:					
General Government:					
Administrative costs	31,644	1,677,039	85,789	31,644	1,762,828
Professional services	7,150	150,731	39,240	7,150	189,971
Capital Outlay:					
Project improvement costs	-	2,548,155	1,069,844	-	3,617,999
Debt Service:					
Interest expense	2,089,546	-	-	2,089,546	-
Long-term debt repayments	5,095,359	-	-	5,095,359	-
Total Expenditures	**7,223,699**	**4,375,925**	**1,194,873**	**7,223,699**	**5,570,798**
Excess of Revenues over (under) Expenditures	**$ (3,146,005)**	**$ (4,301,839)**	**$ (296,472)**	**$ (3,146,005)**	**$ (4,598,311)**
Other Financing Sources (Uses)					
Transfers in	$ 192,304	$ 573,084	$ -	$ 192,304	$ 573,084
Transfers out	(573,084)	-	(192,304)	(573,084)	(192,304)
Pass through agreement payments	(684,823)	-	-	(684,823)	-
Payment to Supplemental Educational Revenue Augmentation Fund	(392,415)	-	-	(392,415)	-
Contributions from/(to) City	3,355,509	(6,206,511)	-	3,355,509	(6,206,511)
Total Other Financing Sources (Uses)	**1,897,491**	**(5,633,427)**	**(192,304)**	**1,897,491**	**(5,825,731)**
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	**(1,248,514)**	**(9,935,266)**	**(488,776)**	**(1,248,514)**	**(10,424,042)**
Fund Balances					
Beginning of Year, as previously reported	2,449,436	29,817,835	5,876,845	2,449,436	35,694,680
Restatements	-	(3,704,781)	-	-	(3,704,781)
Beginning of Year, as restated	2,449,436	26,113,054	5,876,845	2,449,436	31,989,899
End of Year	**$ 1,200,922**	**$ 16,177,788**	**$ 5,388,069**	**$ 1,200,922**	**$ 21,565,857**

BANNING REDEVELOPMENT AGENCY

COMPUTATION OF LOW AND MODERATE INCOME HOUSING FUNDS EXCESS/SURPLUS

	Low and Moderate Housing Funds - All Project Areas July 1, 2010		Low and Moderate Housing Funds - All Project Areas July 1, 2011	
Opening Fund Balance		$ 5,876,845		$ 5,388,069
Less Unavailable Amounts:				
SERAF loans	$ (1,906,018)		$ (2,298,433)	
Encumbrances (Section 33334.12 (g)(2))	(413,436)		(296,209)	
Unspent debt proceeds (Section 33334.12 (g)(3)(B))	(1,510,005)		(946,415)	
		(3,829,459)		(3,541,057)
Available Low and Moderate Income Housing Funds		2,047,386		1,847,012
Limitation (greater of $1,000,000 or four years set-aside)				
Set-Aside for last four years:				
2010 - 2011	-		879,924	
2009 - 2010	1,015,191		1,015,191	
2008 - 2009	1,216,360		1,216,360	
2007 - 2008	1,261,798		1,261,798	
2006 - 2007	1,027,753		-	
Total	**$ 4,521,102**		**$ 4,373,273**	
Base Limitation	**$ 1,000,000**		**$ 1,000,000**	
Greater amount		4,521,102		4,373,273
Computed Excess/Surplus		**None**		**None**