

CITY OF BANNING
FINANCIAL STATEMENTS
JUNE 30, 2003

CITY OF BANNING
GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003

TABLE OF CONTENTS

	<u>Page Number</u>
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Exhibit A - Statement of Net Assets	11
Exhibit B - Statement of Activities	12
Fund Financial Statements:	
Exhibit C - Balance Sheet - Governmental Funds	14
Exhibit D - Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	15
Exhibit E - Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	16
Exhibit F - Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Exhibit G - Budgetary Comparison Statement - General Fund	18
Exhibit H - Statement of Fund Net Assets - Proprietary Funds	20
Exhibit I - Statement of Revenues, Expenses in Changes in Fund Net Assets - Proprietary Funds	24
Exhibit J - Statement of Cash Flows - Proprietary Funds	26
Exhibit K - Statement of Fiduciary Net Assets - Fiduciary Funds	30
NOTES TO FINANCIAL STATEMENTS	31

CITY OF BANNING
GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003

TABLE OF CONTENTS

	<u>Page Number</u>
COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES	
Schedule 1 - Combining Balance Sheet - Nonmajor Governmental Funds	62
Schedule 2 - Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	68
Schedule 3 - Budgetary Comparison Schedules - Special Revenue Funds	
A. Gas Tax Street	75
B. Measure A	76
C. SB 300 Street	77
D. Article 3 Sidewalk	78
E. Community Development Block Grant	79
F. Landscape Maintenance District	80
G. AQMD Air Pollution Program	81
H. Local Law Enforcement Block Grant	82
I. COPS MORE Grant	83
J. Supplemental Law Enforcement	84
K. Public Safety	85
L. State Park Bond Act	86
M. Property Abatement	87
N. Special Donations	88
O. Senior Center Activities	89
P. Police Volunteer	90
Q. D.A.R.E. Donation	91
R. Ramsey/Highland Home Signal	92
S. Wilson Median Improvement	93
T. Animal Control Reserve	94
U. Low and Moderate Income Housing	95
Schedule 4 - Budgetary Comparison Schedules - Capital Projects Fund	
A. Police Facilities Development	96
B. Fire Facilities Development	97
C. Traffic Control Facilities	98
D. General Facilities	99
E. Park Development	100
F. Redevelopment Agency	101
Schedule 5 - Budgetary Comparison Schedules - Debt Service Funds	
A. City Debt Service	102
B. Redevelopment Agency	103
Schedule 6 - Combining Statement of Fund Net Assets - Nonmajor Enterprise Funds	104
Schedule 7 - Combining Statement of Revenues, Expenses and Changes in Fund Net Assets - Nonmajor Enterprise Funds	105

CITY OF BANNING
GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003

TABLE OF CONTENTS

	<u>Page Number</u>
Schedule 8 - Combining Statement of Cash Flows - Nonmajor Enterprise Funds	106
Schedule 9 - Combining Statement of Fund Net Assets - Internal Service Funds	108
Schedule 10 - Combining Statement of Revenues, Expenses and Changes in Fund Net Assets - Internal Service Funds	110
Schedule 11 - Combining Statement of Cash Flows - Internal Service Funds	112
Schedule 12 - Combining Balance Sheet - All Agency Funds	114



Brandon W. Burrows
Donald L. Parker
Michael K. Chu
David E. Hale
A Professional Corporation
Donald G. Slater
Richard K. Kikuchi

Certified Public Accountants

Retired
Robert C. Lance
1914-1994
Richard C. Soll
Fred J. Lunghard, Jr.
1928-1999

INDEPENDENT AUDITORS' REPORT

To The Honorable Mayor and Members of the City Council
The 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, 2003, 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 *Governmental 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.

As described in Note 1, the City has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of June 30, 2003.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Banning, California, as of June 30, 2003, 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 *Governmental Auditing Standards*, we have also issued our report dated November 25, 2003 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 and grants.

The accompanying management's discussion on pages 3 through 10 is not a required part of the basic financial statements, but is supplementary information required by the *Governmental Accounting Standards Board*. 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.





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

Our audit was made for the purpose of forming an opinion on the basic financial statements that collectively comprise the City's basic financial statements. The accompanying introductory section, the combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the 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 & Lunghard, LLP

November 25, 2003

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, 2003. 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 \$69.30 million and \$79.38 million, respectively, at June 30, 2003.
- During the year, the City had revenues that were \$3.18 million more than the \$13.58 million expenses recorded by the City in its governmental activities.
- In the City's business-type activities, revenues were \$7.78 million more than the \$29.70 million in expenses recorded.
- The revenues available for expenditure were \$0.50 million more than budgeted for in the General Fund. The City kept expenditures within spending limits by \$1.95 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 14. 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:

Our analysis of the City as a whole begins on page 11. 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 \$148.68 million at June 30, 2003. 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, 2003

	Governmental Activities	Business-Type Activities	Total
Current and Other Assets	\$ 17.23	\$ 45.32	\$ 62.55
Capital Assets	63.81	49.44	113.25
TOTAL ASSETS	81.04	94.76	175.80
Long-Term Liabilities Outstanding	9.41	11.77	21.18
Other Liabilities	2.32	3.62	5.94
TOTAL LIABILITIES	11.73	15.39	27.12
Net Assets:			
Invested in Capital Assets, net of related debt	57.91	37.95	95.86
Restricted	6.70	1.04	7.74
Unrestricted	4.70	40.38	45.08
TOTAL NET ASSETS	\$ 69.31	\$ 79.37	\$ 148.68

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 \$3.18 million and \$7.79 million, respectively.

TABLE 2
CHANGES IN NET ASSETS
(IN MILLIONS)

As of June 30, 2003

	Governmental Activities	Business-Type Activities	Total
REVENUES:			
Program Revenues:			
Charges for Services	\$ 4.72	\$ 28.03	\$ 32.75
Operating Grants and Contributions	0.25	0.09	0.34
Capital Grants and Contributions	0.37	-	0.37
General Revenues:			
Property Taxes	2.42	0.66	3.08
Sales Taxes	2.97	-	2.97
Franchise Taxes	0.49	-	0.49
Other Taxes	0.48	-	0.48
Motor Vehicle In-Lieu	1.40	-	1.40
Use of Money and Property	0.86	0.82	1.68
Other Revenues	2.80	7.89	10.69
	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	16.76	37.49	54.25
	<hr/>	<hr/>	<hr/>
EXPENSES:			
General Government	2.28	-	2.28
Public Safety	5.82	-	5.82
Public Works	4.00	-	4.00
Parks and Recreation	0.97	-	0.97
Interest on Long-Term Debt	0.51	-	0.51
Airport	-	0.23	0.23
Transit	-	0.91	0.91
Water	-	4.68	4.68
Electric	-	19.28	19.28
Wastewater	-	2.63	2.63
Refuse	-	1.97	1.97
	<hr/>	<hr/>	<hr/>
TOTAL EXPENSES	13.58	29.70	43.28
	<hr/>	<hr/>	<hr/>
INCREASE (DECREASE) IN NET ASSETS	<u>\$ 3.18</u>	<u>\$ 7.79</u>	<u>\$ 10.97</u>

Our analysis focuses on the net assets and changes in net assets of the City's activities. Comparative total data for the prior year have not been presented because this is the first year the City of Banning is reporting its financial statements under GASB Statement No. 34. Comparative total data will be presented in future years as they become available.

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, 2003

	Total Cost of Services	Net Revenue (Expense)
General Government	\$ 2.28	\$ (0.68)
Public Safety	5.82	(5.49)
Public Works	4.00	(1.28)
Parks and Recreation	0.97	(0.27)
Interest on Long-Term Debt	0.51	(0.51)
Total	<u>\$ 13.58</u>	<u>\$ (8.23)</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, 2003

	Total Cost of Services	Net Revenue (Expense)
Airport	\$ 0.23	\$ 0.03
Transit	0.91	(0.76)
Water Utility	4.68	(0.16)
Electric Utility	19.28	(0.22)
Wastewater Utility	2.63	(0.56)
Refuse Utility	1.97	0.09
Total	<u>\$ 29.70</u>	<u>\$ (1.58)</u>

THE CITY'S FUNDS

On page 14, the governmental funds balance sheet is shown. The total fund balance for all governmental funds is \$13.88 million. This total includes the general fund balance of \$7.03 million. The City's general fund balance includes reserves for loans receivable and advances to other funds as well as City Council adopted designations of fund balance totaling \$3.43 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 \$11.57 million were \$0.50 million more than the final budgeted revenues of \$11.07 million. The most significant variance was in total tax revenues, which was budgeted to be \$4.52 million; however, the actual was \$4.67 million. The other significant variances were in licenses and permits and charges for services. In these two categories, the City budgeted a total of \$3.99 million, and the actual was \$4.23 million.

The general fund actual ending expenditures of \$8.98 million were \$1.95 million less than the final budget of \$10.93 million. There were significant changes in the original budget compared to the final budget during the year. The original expenditure budget was \$9.24 million compared to the final budget of \$10.93 million, a \$1.69 million increase.

Even though the City's general fund appropriations increased by \$1.69 million to \$10.93 million, mainly due to the carryover of continuing appropriations, final expenditures were only \$8.98 million. The City's general fund still had an actual net increase in fund balance of \$2.59 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2003, the City had \$113.25 million invested in a broad range of capital assets (See Table 5).

TABLE 5
PROGRAM NET COST
GOVERNMENTAL ACTIVITIES
IN MILLIONS

As of June 30, 2003

	Governmental Activities	Business-Type Activities	Total
Land	\$ 2.85	\$ 1.18	\$ 4.03
Construction in progress	0.21	3.81	4.02
Buildings and Structures	3.43	0.21	3.64
Improvements	1.11	0.83	1.94
Machinery and Equipment	0.67	-	0.67
Vehicles	0.49	-	0.49
Utility Plant	-	43.41	43.41
Infrastructure	55.05	-	55.05
Total	<u>\$ 63.81</u>	<u>\$ 49.44</u>	<u>\$ 113.25</u>

As presented in the Adopted Operating budget for Fiscal Year 2002-03, the CIP totals \$7.70 million for all categories of the capital improvement projects reported by the various City departments. The amount of the adopted projects reflects a \$5.48 million increase over the previous fiscal year's Capital Budget of \$2.22 million. The difference is attributed to the number and nature of capital improvement projects within the various departments. The major projects included \$2.82 million of water system improvements and \$1.00 million of electric substation improvements. For additional information on capital assets refer to the Notes to the Financial Statements.

Debt

At year-end, the City's governmental activities had \$9.41 million in bonds, loans, advances, leases, and compensated absences outstanding while the business-type activities had \$11.77 million in debt (see Table 6).

TABLE 6
DEBT RECAP BY ACTIVITY
IN MILLIONS

As of June 30, 2003

	Governmental Activities	Business-Type Activities	Total
Compensated Absences	\$ 0.97	\$ 0.28	\$ 1.25
Tax allocation bonds	2.54	-	2.54
Certificates of Participation	5.90	7.16	13.06
Loans	-	4.33	4.33
Total	<u>\$ 9.41</u>	<u>\$ 11.77</u>	<u>\$ 21.18</u>

During fiscal year ended June 30, 2003, the City repaid \$1.845 million in Electric Utility Certificates of Participation. 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 2004, 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 economic downturn due to the terrorist activities of 9-11

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 proposed 2003-04 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 \$2.26 million
- The State will increase Motor Vehicle License Fees to previous levels, reducing the State backfill but not affecting the City's revenue of approximately \$1.46 million
- Property Tax revenues will increase by \$0.15 million
- Banning Redevelopment Agency will reimburse the City \$0.13 million on an outstanding loan
- 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 Expenditure Budget of \$9.77 million is approximately \$0.53 million higher than the Adopted Budget for Fiscal Year 2002-03. This net increase is primarily attributed to a rise in labor costs (\$0.72 million) and an increase in services and supplies (\$0.14 million) as well as a decrease in capital expenditures (\$0.38 million).

The Operating Budget for Fiscal Year 2003-04 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 2003-04 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, CA 92220.

CITY OF BANNING

Exhibit A

STATEMENT OF NET ASSETS
JUNE 30, 2003

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and investments	\$ 15,194,778	\$ 34,508,973	\$ 49,703,751
Receivables:			
Accounts	151,254	3,052,434	3,203,688
Loans	498,295	6,201	504,496
Accrued interest	69,596	144,571	214,167
Internal balances	(838,037)	838,037	-
Prepaid costs	-	151,246	151,246
Inventories	42,592	1,070,551	1,113,143
Unamortized debt issuance costs	-	329,762	329,762
Deposits	-	3,463,258	3,463,258
Due from other governments	1,206,428	642,365	1,848,793
Restricted assets:			
Cash and investments	-	68,390	68,390
Cash with fiscal agent	903,184	1,046,506	1,949,690
Capital assets not being depreciated	3,053,880	4,996,873	8,050,753
Capital assets, net of depreciation	60,751,406	44,444,112	105,195,518
Total Assets	81,033,376	94,763,279	175,796,655
Liabilities:			
Accounts payable	377,246	1,937,877	2,315,123
Accrued liabilities	226,200	67,103	293,303
Accrued interest	143,863	282,275	426,138
Deferred revenue	131,205	765,861	897,066
Deposits payable	282,675	564,989	847,664
Accrued claims and judgments	1,158,760	-	1,158,760
Noncurrent liabilities:			
Due within one year	430,000	556,705	986,705
Due in more than one year	8,981,559	11,209,910	20,191,469
Total Liabilities	11,731,508	15,384,720	27,116,228
Net Assets:			
Invested in capital assets, net or related debt	57,905,286	37,950,841	95,856,127
Restricted for:			
Community development projects	2,323,547	-	2,323,547
Public safety	1,073,691	-	1,073,691
Other purpose	2,572,612	-	2,572,612
Debt service	734,207	1,046,506	1,780,713
Unrestricted	4,692,525	40,381,212	45,073,737
Total Net Assets	\$ 69,301,868	\$ 79,378,559	\$ 148,680,427

See Notes to Financial Statements

CITY OF BANNING

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2003**

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Contributions and Grants	Contributions and Grants
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ 2,268,293	\$ 1,585,779	\$ -	\$ -
Public safety	5,820,229	231,161	99,616	-
Public works	4,001,375	2,492,544	119,754	112,038
Parks and recreation	976,842	410,146	33,400	262,340
Interest on long-term debt	508,357	-	-	-
Total Governmental Activities	13,575,096	4,719,630	252,770	374,378
Business-Type Activities:				
Airport	230,173	217,056	40,000	-
Transit	911,676	104,362	50,745	-
Water utility	4,680,094	4,520,837	-	-
Electric utility	19,276,329	19,054,100	-	-
Wastewater utility	2,630,579	2,066,636	-	-
Refuse utility	1,974,597	2,070,158	-	-
Total Business-Type Activities	29,703,448	28,033,149	90,745	-
Total Primary Government	\$ 43,278,544	\$ 32,752,779	\$ 343,515	\$ 374,378

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

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

<u>Net (Expenses) Revenues and Changes in Net Assets</u>		
<u>Primary Government</u>		
<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (682,514)	\$ -	\$ (682,514)
(5,489,452)	-	(5,489,452)
(1,277,039)	-	(1,277,039)
(270,956)	-	(270,956)
(508,357)	-	(508,357)
<u>(8,228,318)</u>	<u>-</u>	<u>(8,228,318)</u>
-	26,883	26,883
-	(756,569)	(756,569)
-	(159,257)	(159,257)
-	(222,229)	(222,229)
-	(563,943)	(563,943)
-	95,561	95,561
-	<u>(1,579,554)</u>	<u>(1,579,554)</u>
<u>(8,228,318)</u>	<u>(1,579,554)</u>	<u>(9,807,872)</u>
2,409,290	655,823	3,065,113
139,399	-	139,399
2,966,491	-	2,966,491
492,994	-	492,994
144,069	-	144,069
196,503	-	196,503
1,400,599	-	1,400,599
862,295	816,412	1,678,707
2,613,543	8,070,268	10,683,811
179,000	(179,000)	-
<u>11,404,183</u>	<u>9,363,503</u>	<u>20,767,686</u>
3,175,865	7,783,949	10,959,814
10,583,140	69,876,518	80,459,658
<u>55,542,863</u>	<u>1,718,092</u>	<u>57,260,955</u>
<u>\$ 69,301,868</u>	<u>\$ 79,378,559</u>	<u>\$ 148,680,427</u>

CITY OF BANNING

Exhibit C

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2003**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Cash and investments	\$ 6,616,347	\$ 6,324,261	\$ 12,940,608
Receivables:			
Accounts	118,577	4,066	122,643
Interest	36,816	23,995	60,811
Loans	36,465	455,235	491,700
Due from other governments	690,791	513,161	1,203,952
Due from other funds	106	-	106
Advances to other funds	170,000	-	170,000
Restricted assets:			
Cash and investments with fiscal agents	-	903,184	903,184
Total Assets	<u>\$ 7,669,102</u>	<u>\$ 8,223,902</u>	<u>\$ 15,893,004</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	\$ 344,365	\$ 32,881	\$ 377,246
Accrued liabilities	167,807	18,592	186,399
Due to other funds	-	205,687	205,687
Deferred revenues	-	131,205	131,205
Advances from other funds	-	835,468	835,468
Deposits payable	129,716	152,149	281,865
Total Liabilities	<u>641,888</u>	<u>1,375,982</u>	<u>2,017,870</u>
Fund Balances:			
Reserved:			
Reserved for TDA funds	-	540,745	540,745
Reserved for special donations	-	16,884	16,884
Reserved for loans receivable	36,089	449,532	485,621
Reserved for advances to other funds	170,000	-	170,000
Unreserved:			
Unreserved, reported in nonmajor:			
Special revenue funds	-	2,900,435	2,900,435
Capital projects funds	-	2,508,675	2,508,675
Debt service funds	-	431,649	431,649
Designated for specific purpose	150,000	-	150,000
Designated for working capital	977,182	-	977,182
Designated for equipment replacement	550,000	-	550,000
Designated for compensated absences	348,000	-	348,000
Designated for CALPERS liabilities	1,200,000	-	1,200,000
Undesignated	3,595,943	-	3,595,943
Total Fund Balances	<u>7,027,214</u>	<u>6,847,920</u>	<u>13,875,134</u>
Total Liabilities and Fund Balances	<u>\$ 7,669,102</u>	<u>\$ 8,223,902</u>	<u>\$ 15,893,004</u>

See Notes to Financial Statements

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2003**

Fund balances of governmental funds	\$ 13,875,134
-------------------------------------	---------------

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.	63,133,496
---	------------

Long-term debt and compensated absences from the General Long-Term Debt Account Group that have not been included in the governmental fund activity:

Certificates of participation payable	(8,445,000)
Compensated absences	(741,656)

Accrued interest payable for the current portion of interest due on Tax Allocation Bonds has not been reported in the governmental funds.	(116,524)
---	-----------

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.

1,596,418

Net assets of governmental activities

\$ 69,301,868

CITY OF BANNING

Exhibit E

**STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2003**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Taxes	\$ 4,674,356	\$ 1,674,390	\$ 6,348,746
Licenses and permits	1,041,442	-	1,041,442
Intergovernmental	1,629,223	1,332,049	2,961,272
Charges for services	3,187,263	29,841	3,217,104
Use of money and property	184,756	635,552	820,308
Fines and forfeitures	450,842	-	450,842
Miscellaneous	268,748	1,421,512	1,690,260
Total Revenues	11,436,630	5,093,344	16,529,974
Expenditures:			
Current:			
General government	1,716,568	269,160	1,985,728
Public safety	5,287,407	192,339	5,479,746
Public works	987,226	995,821	1,983,047
Parks and recreation	768,435	68,905	837,340
Capital outlay	-	1,229,655	1,229,655
Debt service:			
Principal retirement	-	405,000	405,000
Interest and fiscal charges	-	514,916	514,916
Pass-through agreement payments	-	74,930	74,930
Total Expenditures	8,759,636	3,750,726	12,510,362
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,676,994	1,342,618	4,019,612
Other Financing Sources (Uses):			
Transfers in	130,000	1,043,107	1,173,107
Transfers out	(221,765)	(772,342)	(994,107)
Total Other Financing Sources (Uses)	(91,765)	270,765	179,000
Net Change in Fund Balances	2,585,229	1,613,383	4,198,612
Fund Balances, Beginning of Year, as originally reported	4,441,985	6,141,155	10,583,140
Restatements	-	(906,618)	(906,618)
Fund Balances, Beginning of Year, as restated	4,441,985	5,234,537	9,676,522
Fund Balances, End of Year	\$ 7,027,214	\$ 6,847,920	\$ 13,875,134

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, 2003**

Net change in fund balances - total governmental funds	\$ 4,198,612
Amounts reported for governmental activities in the statement of activities differs 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.	(1,428,184)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	405,000
Accrued interest for Tax Allocation Bonds. This is the net change in accrued interest for the current period.	6,559
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.	(48,241)
Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The net revenues (expenses) of the internal service funds is reported with governmental activities.	42,119
Change in net assets of governmental activities	<u>\$ 3,175,865</u>

**BUDGETARY COMPARISON STATEMENT
GENERAL FUND
YEAR ENDED JUNE 30, 2003**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 4,441,985	\$ 4,441,985	\$ 4,441,985	\$ -
Resources (Inflows):				
Taxes:				
Sales and use	2,125,000	2,218,118	2,250,875	32,757
Property	1,420,350	1,471,000	1,512,727	41,727
Franchise	363,600	327,600	334,991	7,391
Transient occupancy	120,000	125,000	139,399	14,399
Other	334,461	380,461	436,364	55,903
Subtotal	4,363,411	4,522,179	4,674,356	152,177
Licenses and permits:				
Building permits	450,202	900,542	1,014,443	113,901
Other permits	15,500	23,591	26,999	3,408
Subtotal	465,702	924,133	1,041,442	117,309
Fines, forfeitures and penalties:				
Parking fines	14,200	14,200	11,245	(2,955)
Court fines and other fines	381,500	456,500	439,597	(16,903)
Subtotal	395,700	470,700	450,842	(19,858)
Use of money and property:				
Interest and rents	149,154	147,304	184,756	37,452
Subtotal	149,154	147,304	184,756	37,452
Intergovernmental:				
State motor vehicle in-lieu fee	1,314,625	1,380,918	1,400,599	19,681
Other intergovernmental revenues	111,800	217,452	228,624	11,172
Subtotal	1,426,425	1,598,370	1,629,223	30,853
Charges for services:				
Engineering, police, fire and other fees	611,035	1,524,897	1,653,834	128,937
Recreation fees	53,250	53,250	42,929	(10,321)
Interfund charges	1,490,500	1,490,500	1,490,500	-
Subtotal	2,154,785	3,068,647	3,187,263	118,616
Other	191,550	211,928	268,748	56,820
Transfers from other funds	130,050	130,000	130,000	-
Amounts Available for Appropriation	9,276,777	11,073,261	11,566,630	493,369

CITY OF BANNING
BUDGETARY COMPARISON STATEMENT
GENERAL FUND
YEAR ENDED JUNE 30, 2003

Exhibit G
(Continued)

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Charges to Appropriation (Outflow):				
General government:				
City council	57,120	57,620	46,534	11,086
City manager	119,606	167,479	145,744	21,735
Personnel	129,995	232,481	119,326	113,155
City clerk	96,782	96,782	92,615	4,167
Elections	35,500	28,500	25,287	3,213
City attorney	49,735	51,042	30,020	21,022
Finance	174,797	210,629	157,683	52,946
Community enhancement	104,041	126,940	156,564	(29,624)
Central services	888,934	958,436	942,795	15,641
Subtotal	1,656,510	1,929,909	1,716,568	213,341
Public safety:				
Police	4,014,087	4,285,057	4,007,860	277,197
Animal control	120,000	120,000	118,427	1,573
Fire	1,258,683	1,330,476	1,161,120	169,356
Subtotal	5,392,770	5,735,533	5,287,407	448,126
Public works:				
Building safety	565,005	598,046	459,944	138,102
Planning	105,240	455,240	94,965	360,275
Engineering	153,575	198,055	190,875	7,180
Building maintenance	377,545	904,731	241,442	663,289
Subtotal	1,201,365	2,156,072	987,226	1,168,846
Parks	410,978	466,223	384,136	82,087
Recreation	377,013	414,709	384,299	30,410
Subtotal	787,991	880,932	768,435	112,497
Transfers out	200,043	232,693	221,765	10,928
Total Charges to Appropriations	9,238,679	10,935,139	8,981,401	1,953,738
Budgetary Fund Balance, June 30	\$ 4,480,083	\$ 4,580,107	\$ 7,027,214	\$ 2,447,107

See Notes to Financial Statements

CITY OF BANNING

**STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2003**

	<u>Water Utility</u>	<u>Electric Utility</u>	<u>Wastewater Utility</u>	<u>Other Enterprise Funds</u>
Assets:				
Current:				
Cash and investments	\$ 5,100,212	\$ 20,622,486	\$ 8,255,433	\$ 530,842
Receivables:				
Accounts	591,067	1,991,600	224,845	244,922
Interest	23,959	85,114	33,302	2,196
Loans	2,392	3,809	-	-
Due from other funds	-	-	205,581	-
Due from other governments	-	-	-	642,365
Prepaid expenses	-	151,246	-	-
Inventories	218,020	842,548	-	9,983
Deposits with other agencies	-	3,463,258	-	-
Total Current Assets	<u>5,935,650</u>	<u>27,160,061</u>	<u>8,719,161</u>	<u>1,430,308</u>
Restricted:				
Cash and investments	-	68,390	-	-
Cash with fiscal agent	644,057	219	402,230	-
Total Restricted Assets	<u>644,057</u>	<u>68,609</u>	<u>402,230</u>	<u>-</u>
Noncurrent:				
Unamortized debt issuance costs	244,938	-	84,824	-
Advances to other funds	-	665,468	286,245	-
Capital assets - net of accumulated depreciation	21,916,909	11,649,784	13,698,440	2,175,852
Total Noncurrent Assets	<u>22,161,847</u>	<u>12,315,252</u>	<u>14,069,509</u>	<u>2,175,852</u>
Total Assets	<u><u>\$ 28,741,554</u></u>	<u><u>\$ 39,543,922</u></u>	<u><u>\$ 23,190,900</u></u>	<u><u>\$ 3,606,160</u></u>

See Notes to Financial Statements

Exhibit H
Page 2 of 4

<u>Totals</u>	<u>Governmental Activities - Internal Service Funds</u>
\$ 34,508,973	\$ 2,254,170
3,052,434	28,611
144,571	8,785
6,201	6,595
205,581	-
642,365	2,476
151,246	-
1,070,551	42,592
3,463,258	-
<u>43,245,180</u>	<u>2,343,229</u>
68,390	-
1,046,506	-
<u>1,114,896</u>	<u>-</u>
329,762	-
951,713	-
<u>49,440,985</u>	<u>671,790</u>
<u>50,722,460</u>	<u>671,790</u>
<u>\$ 95,082,536</u>	<u>\$ 3,015,019</u>

CITY OF BANNING
STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2003

	<u>Water Utility</u>	<u>Electric Utility</u>	<u>Wastewater Utility</u>	<u>Other Enterprise Funds</u>
Liabilities and Net Assets:				
Liabilities:				
Current:				
Accounts payable	\$ 523,805	\$ 1,144,288	\$ 109,974	\$ 159,810
Accrued payroll payable	19,428	34,135	2,365	11,175
Accrued interest payable	114,402	-	167,873	-
Deposits payable	68,532	300,846	139,491	56,120
Deferred revenue	-	-	-	765,861
Bonds, notes and loans payable	195,000	-	361,705	-
Total Current Liabilities	921,167	1,479,269	781,408	992,966
Noncurrent:				
Advances from other funds	-	-	-	286,245
Compensated absences	93,916	133,324	7,677	41,554
Claims and judgments	-	-	-	-
Bonds, notes and loans payable	4,715,000	-	6,218,439	-
Total Noncurrent Liabilities	4,808,916	133,324	6,226,116	327,799
Total Liabilities	5,730,083	1,612,593	7,007,524	1,320,765
Net Assets:				
Invested in capital assets, net of related debt	17,006,909	11,649,784	7,118,296	2,175,852
Restricted for debt service	644,057	219	402,230	-
Unrestricted	5,360,505	26,281,326	8,662,850	109,543
Total Net Assets	23,011,471	37,931,329	16,183,376	2,285,395
Total Liabilities and Net Assets	\$ 28,741,554	\$ 39,543,922	\$ 23,190,900	\$ 3,606,160

Reconciliation of Net Assets to the Statement of Net Assets:

Net Assets per Statement of Net Assets - Proprietary Funds
Adjustments to reflect the consolidation of internal
service activities related to enterprise funds

Net Assets: Business-Type Activities

See Notes to Financial Statements

Exhibit H
Page 4 of 4

<u>Totals</u>	<u>Governmental Activities - Internal Service Funds</u>
\$ 1,937,877	\$ 39,801
67,103	27,339
282,275	-
564,989	810
765,861	-
556,705	-
<u>4,174,810</u>	<u>67,950</u>
286,245	-
276,471	224,903
-	1,158,760
10,933,439	-
<u>11,496,155</u>	<u>1,383,663</u>
<u>15,670,965</u>	<u>1,451,613</u>
37,950,841	671,790
1,046,506	-
40,414,224	891,616
<u>79,411,571</u>	<u>1,563,406</u>
<u>\$ 95,082,536</u>	<u>\$ 3,015,019</u>
 \$ 79,411,571	
 (33,012)	
<u><u>\$ 79,378,559</u></u>	

CITY OF BANNING
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2003

	<u>Water Utility</u>	<u>Electric Utility</u>	<u>Wastewater Utility</u>
Operating Revenues:			
Sales and service charges	\$ 4,520,837	\$ 19,054,100	\$ 2,066,636
Connection fees	157,149	124,605	-
Total Operating Revenues	<u>4,677,986</u>	<u>19,178,705</u>	<u>2,066,636</u>
Operating Expenses:			
Salaries and benefits	810,409	1,133,836	86,689
Supplies and services	2,822,938	4,265,709	1,360,594
Repairs and maintenance	1,958	14,062	49,169
Street lighting costs	-	161,880	-
Power purchased for resale	-	12,724,711	-
Amortization	17,589	148,915	5,473
Insurance premiums	-	-	-
Claims and judgments	-	-	-
Depreciation	650,679	698,254	822,484
Total Operating Expenses	<u>4,303,573</u>	<u>19,147,367</u>	<u>2,324,409</u>
Operating Income (Loss)	<u>374,413</u>	<u>31,338</u>	<u>(257,773)</u>
Nonoperating Revenues (Expenses):			
Taxes	-	-	-
Intergovernmental	-	-	-
Interest revenue	131,872	517,855	158,904
Interest expense	(368,225)	(101,701)	(302,512)
Miscellaneous	2,711,453	2,601,582	2,453,129
Total Nonoperating Revenues (Expenses)	<u>2,475,100</u>	<u>3,017,736</u>	<u>2,309,521</u>
Income (Loss) Before Transfers	2,849,513	3,049,074	2,051,748
Transfers out	<u>(23,000)</u>	<u>(5,000)</u>	<u>(96,000)</u>
Changes in Net Assets	<u>2,826,513</u>	<u>3,044,074</u>	<u>1,955,748</u>
Net Assets:			
Beginning of Fiscal Year, as originally reported	18,671,468	34,769,682	14,253,430
Restatements	<u>1,513,490</u>	<u>117,573</u>	<u>(25,802)</u>
Beginning of Fiscal Year, as restated	<u>20,184,958</u>	<u>34,887,255</u>	<u>14,227,628</u>
End of Fiscal Year	<u>\$ 23,011,471</u>	<u>\$ 37,931,329</u>	<u>\$ 16,183,376</u>

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
\$ 2,391,576	\$ 28,033,149	\$ 3,481,009
-	281,754	-
2,391,576	28,314,903	3,481,009
489,609	2,520,543	1,248,853
2,384,930	10,834,171	1,148,590
6,782	71,971	117,426
-	161,880	-
-	12,724,711	-
-	171,977	-
-	-	471,242
-	-	649,777
234,729	2,406,146	96,172
3,116,050	28,891,399	3,732,060
(724,474)	(576,496)	(251,051)
655,823	655,823	-
90,745	90,745	-
7,781	816,412	41,987
(6,599)	(779,037)	-
22,350	7,788,514	218,171
770,100	8,572,457	260,158
45,626	7,995,961	-
(55,000)	(179,000)	-
(9,374)	7,816,961	9,107
2,181,938	69,876,518	1,595,404
112,831	1,718,092	(41,105)
2,294,769	71,594,610	1,554,299
\$ 2,285,395	\$ 79,411,571	\$ 1,563,406
	\$ 7,816,961	
	(33,012)	
	\$ 7,783,949	

CITY OF BANNING

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	Water Utility	Electric Utility	Wastewater Utility
Cash Flows from Operating Activities:			
Cash received from customers and users	\$ 4,630,033	\$ 19,072,593	\$ 2,056,632
Cash received from interfund service provided	-	-	-
Cash received from miscellaneous revenues	2,711,452	2,601,582	2,453,129
Cash paid to suppliers for goods and services	(2,541,840)	(15,564,749)	(1,416,150)
Cash paid to employees for services	(785,576)	(1,099,701)	(82,304)
Cash paid for claims	-	-	-
Net Cash Provided (Used) by Operating Activities	4,014,069	5,009,725	3,011,307
Cash Flows from Non-Capital Financing Activities:			
Cash transfer to other funds	(23,000)	(5,000)	(96,000)
Repayment of advances	-	348,065	25,000
Net Cash Provided (Used) by Non-Capital Financing Activities	(23,000)	343,065	(71,000)
Cash Flows from Capital and Related Financing Activities:			
Purchases, acquisition and construction of capital assets	(3,805,664)	(2,481,878)	(222,374)
Principal paid on capital debt	(185,000)	(1,845,000)	(346,847)
Interest paid on capital debt	(372,012)	(128,641)	(308,432)
Net Cash Provided (Used) by Capital and Related Financing Activities	(4,362,676)	(4,455,519)	(877,653)
Cash Flows from Investing Activities:			
Interest received	141,836	563,155	164,165
Net Cash Provided (Used) by Investing Activities	141,836	563,155	164,165
Net Increase (Decrease) in Cash and Cash Equivalents	(229,771)	1,460,426	2,226,819
Cash and Cash Equivalents at Beginning of Year	5,974,040	19,230,669	6,430,844
Cash and Cash Equivalents at End of Year	\$ 5,744,269	\$ 20,691,095	\$ 8,657,663

See Notes to Financial Statements

Other Enterprise Funds	Totals	Governmental Activities- Internal Service Funds
\$ 2,375,371	\$ 28,134,629	\$ -
-	-	3,481,009
772,561	8,538,724	219,514
(2,394,131)	(21,916,870)	(1,740,023)
(482,362)	(2,449,943)	(1,243,114)
-	-	(430,483)
<u>271,439</u>	<u>12,306,540</u>	<u>286,903</u>
(55,000)	(179,000)	-
(25,000)	348,065	-
<u>(80,000)</u>	<u>169,065</u>	<u>-</u>
(58,808)	(6,568,724)	(75,813)
-	(2,376,847)	-
(6,599)	(815,684)	-
<u>(65,407)</u>	<u>(9,761,255)</u>	<u>(75,813)</u>
8,354	877,510	45,508
<u>8,354</u>	<u>877,510</u>	<u>45,508</u>
134,386	3,591,860	256,598
396,456	32,032,009	1,997,572
<u>\$ 530,842</u>	<u>\$ 35,623,869</u>	<u>\$ 2,254,170</u>

CITY OF BANNING
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	<u>Water Utility</u>	<u>Electric Utility</u>	<u>Wastewater Utility</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 374,413	\$ 31,338	\$ (257,773)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	668,268	847,169	827,957
Miscellaneous revenues	2,711,452	2,601,582	2,453,129
(Increase) decrease in accounts receivable	(46,816)	(118,141)	(10,004)
(Increase) decrease in loans receivable	(1,137)	(2,647)	
(Increase) decrease in due from other funds	-	-	(132,963)
(Increase) decrease in inventories	(38,091)	(77,853)	-
(Increase) decrease in due from other governments	-	3,648	-
(Increase) decrease in prepaid expense	-	(151,246)	-
(Increase) decrease in deposits with other agencies	-	1,214,344	-
Increase (decrease) in accounts payable	327,516	616,368	59,978
Increase (decrease) in accrued liabilities	-	34,135	2,365
Increase (decrease) in deposits payable	13,059	24,601	66,598
Increase (decrease) in deferred revenue	-	-	-
Increase (decrease) in compensated absences	5,405	(13,573)	2,020
Increase (decrease) in claims payable	-	-	-
Total Adjustments	<u>3,639,656</u>	<u>4,978,387</u>	<u>3,269,080</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 4,014,069</u>	<u>\$ 5,009,725</u>	<u>\$ 3,011,307</u>

Schedule of Noncash Transactions:

There were no noncash transactions during the year.

<u>Other Enterprise Funds</u>	<u>Totals</u>	<u>Governmental Activities- Internal Service Funds</u>
\$ (724,474)	\$ (576,496)	\$ (251,051)
234,729	2,578,123	96,172
768,918	8,535,081	218,171
(20,474)	(195,435)	(3,938)
-	(3,784)	6,623
-	(132,963)	-
(105)	(116,049)	(4,937)
(575,513)	(571,865)	(1,342)
-	(151,246)	-
-	1,214,344	-
(2,313)	1,001,549	2,172
11,175	47,675	27,339
4,269	108,527	-
579,155	579,155	-
(3,928)	(10,076)	(21,600)
-	-	219,294
<u>995,913</u>	<u>12,883,036</u>	<u>537,954</u>
<u>\$ 271,439</u>	<u>\$ 12,306,540</u>	<u>\$ 286,903</u>

CITY OF BANNING

Exhibit K

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2003**Assets:**

Cash and investments	\$ 793,404
Receivables:	
Interest	2,590
Due from other governments	20,018
Restricted assets:	
Cash with fiscal agent	<u>721,489</u>

Total Assets**\$ 1,537,501****Liabilities:**

Accounts payable	\$ 78
Deposits	8,731
Due to bondholders	<u>1,528,692</u>

Total Liabilities**\$ 1,537,501**

CITY OF BANNING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003

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 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 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.

GASB Statement No. 34

The City implemented the provisions of GASB Statement No. 34, which requires a new financial statement presentation, in fiscal year 2002-03. The details of the new reporting model are stated in the following paragraphs.

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.

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.

City of Banning
Notes to Financial Statements (Continued)

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

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, then unrestricted resources as they are needed.

d. Assets, Liabilities and Net Assets or Equity

Deposits and Investments and Cash and Cash Equivalents

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

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

City of Banning
Notes to Financial Statements (Continued)

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

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:

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.

City of Banning
Notes to Financial Statements (Continued)

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

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 March 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 City-wide 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 1990-91 Budget Act authorized counties to collect an administrative fee for collection and distribution of property taxes. Property taxes are recorded net of administrative fees withheld during the fiscal year.

Inventories and Prepaid Items

Inventories of materials and supplies (if material) are carried at cost on a first-in, first-out (FIFO) basis. The City uses the consumption method of accounting for inventories.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

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

In accordance with GASB Statement No. 34, the City has reported general infrastructure assets acquired in the current year and is reporting a prior period adjustment to net assets in the amount of \$71,079,623, less prior accumulated depreciation of (\$14,356,717) related to retroactive infrastructure reporting.

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.

City of Banning
Notes to Financial Statements (Continued)

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

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:

Buildings	20 - 50 years
Improvements	15 - 25 years
Machinery and Equipment	5 - 25 years
Water Lines	40 - 50 years
Vehicles	5 - 10 years
Utility Plant	20 - 60 years
Computer Software	3 years

Compensated Absences

Compensated absences are the amounts due to employees for future absences which 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.

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. Each employee may be able to convert 32 hours of unused sick leave to vacation or compensatory time. 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

City of Banning
Notes to Financial Statements (Continued)

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

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.

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 accruals for vacation are 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.

Utility employees accrue vacation leave in accordance with a schedule set forth in a memorandum of understanding. Vacation shall accrue to the maximum rate of two times each employee's annual accrual. Any employee that terminates after six months of service shall be paid the accrued vacation leave up to the maximum of two times the annual accrual for each employee. Employees may cash out vacation time annually as follows: Managers - 40 hours and Police - 40 hours.

Claims and Judgments

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

Long-Term Obligations

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

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

City of Banning
Notes to Financial Statements (Continued)

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

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 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 that "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 (\$1,428,184) difference are as follows:

Capital outlay	\$ 1,473,591
Less: depreciation expense	<u>(2,901,775)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (1,428,184)</u>

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 motion during each fiscal year. The City Administrator 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).

City of Banning
Notes to Financial Statements (Continued)

Note 2: Stewardship, Compliance and Accountability (Continued)

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 reappropriated in the following year's budget. The City had no outstanding encumbrances at the end of the year.

c. Excesses of Expenditures Over Appropriations by Function in Individual Funds are as follows:

<u>Fund</u>	<u>Expenditures</u>	<u>Appropriations</u>	<u>Excess</u>
Special Revenue Funds:			
Special donations:			
Parks and recreation	\$ 56,051	\$ 47,792	\$ 8,259
Police volunteer:			
Public safety	8,981	8,500	481
Debt Service Funds			
Redevelopment Agency:			
Debt service interest	199,843	198,647	1,196

Note 3: Cash and Investments

Cash and investments at June 30 consisted of the following:

Petty cash	\$ 2,425
Pooled cash and deposits (overdraft)	264,021
Pooled investments	50,299,103
Cash and investments with fiscal agent	<u>2,671,175</u>
Total Cash and Investments	<u>\$ 53,236,724</u>

Interest income earned on pooled cash and investments is allocated to the various funds based on the cash balances.

Pooled Cash and Non-Negotiable Certificates of Deposit

All pooled cash and non-negotiable certificates of deposit are entirely insured or collateralized. The California Government Code requires California banks and savings and loan associations to secure a City's deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 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 may waive collateral requirements for deposits which are fully insured up to \$100,000 by the Federal Deposit Insurance Corporation (FDIC).

City of Banning
Notes to Financial Statements (Continued)

Note 3: Cash and Investments (Continued)

Authorized Investments

Under provision of the City's Investment Policy, and in accordance with Section 53601 of the California Government Code, the City may invest in the following types of investments:

- Securities of the U.S. Government, or its agencies
- Certificates of Deposit
- Local Agency Investment Fund (State Pool) Deposits
- Passbook Savings Account Demand Deposits
- U.S. Treasury Portfolio Mutual Funds

Pooled Investments

The State Treasury's Investment Pool is overseen by the Local Investment Advisory Board, which consists of five members, in accordance with State statute. The State Treasurer's office audits the fund annually. Investment in the fund is secured by the full faith and credit of the State of California. The carrying value and fair value of the investment pool at June 30, 2003 was \$55,429,568,408 and \$55,587,336,494, respectively. The City's share of the pool at June 30, 2003 was approximately 0.09%. The fair value of the position in the State Investment Pool is the same as the value of the pool shares.

Investment in State Treasury's Investment Pool cannot be assigned a credit risk category because the City does not own specific securities. However, the fund's investment policies and practices with regard to the credit and market risks have been determined acceptable to the City's investment policies.

Credit Risk, Carrying Amount and Fair Value

Cash is classified in three categories of credit risk as follows:

- Category 1 - insured or collateralized with securities held by the entity or by its agent in the entity's name;
- Category 2 - collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name; and
- Category 3 - uncollateralized.

Investments are also classified in three categories of credit risk as follows:

- Category 1 - insured or registered, with securities held by entity or its agent in the entity name;
- Category 2 - uninsured and unregistered, with securities held by the counterparty's trust department or agent in the entity's name; and
- Category 3 - uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the entity's name.

Investments in pools managed by other governments or in mutual funds are not required to be categorized.

City of Banning
Notes to Financial Statements (Continued)

Note 3: Cash and Investments (Continued)

At June 30, 2003, the carrying amount of the City's cash and deposits was \$266,446. The bank balance was \$1,431,429. This difference is due to the normal deposits in transit and outstanding checks. City cash and deposits by category as of June 30, 2003 are as follows:

	Category			Bank	Fair
	1	2	3	Balance	Value
Bank accounts	\$ 108,557	\$ -	\$ 1,254,482	\$ 1,363,039	\$ 198,056
Certificates of deposit	-	68,390	-	68,390	68,390
Total Cash and Deposits	\$ 108,557	\$ 68,390	\$ 1,254,482	\$ 1,431,429	\$ 266,446

City investments by category as of June 30, 2003 are as follows:

	Category			Unclassified	Fair/Carrying Value	Cost
	1	2	3			
Investments Controlled by the City:						
Local Agency Investment Fund (State Pool)	\$ -	\$ -	\$ -	\$ 50,299,103	\$ 50,299,103	\$ 50,156,344
Total Investments Controlled by the City Treasurer	-	-	-	50,299,103	50,299,103	50,156,344
Amounts Invested by Fiscal Agents:						
Repurchase Agreement	522,562	-	-	-	522,562	522,562
U. S. Government Money Market Fund	-	-	-	2,148,613	2,148,613	2,148,613
Total Invested by Fiscal Agent	522,562	-	-	2,148,613	2,671,175	2,671,175
Total Investments	\$ 522,562	\$ -	\$ -	\$ 52,447,716	\$ 52,970,278	\$ 52,827,519

Note 4: Due To/From Other Funds

The following constitute amounts, which are either receivables or payables (from/to) to other funds:

All of the items below are short-term loans to cover negative cash:

	Due From	Due to
Major Funds:		
General Fund	\$ 106	\$ -
Proprietary Funds:		
Wastewater Utility	205,581	-
Nonmajor Governmental Funds	-	205,687
Totals	\$ 205,687	\$ 205,687

City of Banning
Notes to Financial Statements (Continued)

Note 5: Advances Receivable From/Payable to Other Funds

The City has authorized several interfund advances to be used for the operation of the funds receiving the advances. At June 30, 2003, the outstanding advances are:

The Airport Enterprise Fund has received funds from the Wastewater Utility Enterprise Fund totaling \$346,245 for the acquisition of the airport hangars. The outstanding balance at June 30, 2003 was \$286,245. There is no definite repayment data.

The General Fund has advanced funds to the Banning Redevelopment Agency. The balance outstanding of the advances payable at June 30, 2003 was \$170,000.

During fiscal year 1993-94, the City's Electric Utility Fund advanced funds to the Redevelopment Agency to assist in the development of the Sunset Auto Plaza. There is no definite repayment date. The outstanding balance payable at June 30, 2003 was \$665,468.

A schedule of advances at June 30, 2003 is as follows:

	<u>Advances From</u>	<u>Advances To</u>
Major Funds:		
General Fund	\$ 170,000	\$ -
Proprietary Funds:		
Electric Utility Fund	665,468	-
Wastewater Utility Fund	286,245	-
Nonmajor Governmental Funds	-	835,468
Nonmajor Proprietary Funds	<u>-</u>	<u>286,245</u>
Totals	<u>\$ 1,121,713</u>	<u>\$ 1,121,713</u>

All long-term advances, except for the advance from the Electric Utility Fund to the Redevelopment Agency Debt Service Fund, carry an interest rate equal to what the City can earn on its investment with the State of California Local Agency Investment Fund which at June 30, 2003 was 2.687%. The advance from the Electric Utility Fund to the Redevelopment Agency Debt Service Fund bears interest at 5.000%.

City of Banning
Notes to Financial Statements (Continued)

Note 6: Interfund Transfers

The Public Safety Sales Tax Fund transferred \$130,000 to the General Fund for operations.

The General Fund has made transfers out of \$221,765 to subsidize the operations, for grant matching purposes and for July 4 expenditures for certain nonmajor funds.

The Water Utility Fund transferred \$18,000 to the Gas Tax Street Fund for operations, and transferred \$5,000 to the Special Donations Fund for July 4 expenditures.

The Electric Utility Fund transferred \$5,000 to the Special Donations Fund for July 4 expenditures.

The Wastewater Utility Fund transferred \$96,000 to the Gas Tax Street Fund for operations.

Certain nonmajor funds have made transfers to subsidize the operations, for grant matching purposes, for redevelopment agency 20% set-aside and for the low and moderate portion of debt service for certain nonmajor funds.

<u>Fund</u>	<u>Transfers In From Other Funds</u>	<u>Transfers Out To Other Funds</u>
Major Governmental Funds:		
General Fund	\$ 130,000	\$ 221,765
Major Proprietary Funds:		
Water Utility	-	23,000
Electric Utility	-	5,000
Wastewater Utility	-	96,000
Nonmajor Governmental Funds	1,043,107	772,342
Nonmajor Proprietary Funds	-	55,000
Totals	<u>\$ 1,173,107</u>	<u>\$ 1,173,107</u>

City of Banning
Notes to Financial Statements (Continued)

Note 7: Changes in Capital Assets

Capital asset activity for the year ended June 30, 2003 follows:

	Beginning Balance	Adjustments	Adjusted Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:						
Capital assets, not being depreciated:						
Land	\$ 2,584,443	\$ 58,195	\$ 2,642,638	\$ 204,266	\$ -	\$ 2,846,904
Construction-in-progress	148,257	-	148,257	126,824	(68,105)	206,976
Total Capital Assets, Not Being Depreciated	2,732,700	58,195	2,790,895	331,090	(68,105)	3,053,880
Capital assets, being depreciated:						
Buildings and structures	7,239,557	2,236,695	9,476,252	134,629	-	9,610,881
Land improvements	1,659,860	389,255	2,049,115	97,368	-	2,146,483
Machinery and equipment	3,653,842	(1,744,403)	1,909,439	292,803	-	2,202,242
Vehicles	2,047,002	(169,058)	1,877,944	232,395	-	2,110,339
Infrastructure	-	71,079,623	71,079,623	531,937	-	71,611,560
Total Capital Assets, Being Depreciated	14,600,261	71,792,112	86,392,373	1,289,132	-	87,681,505
Less accumulated depreciation:						
Buildings and structures	-	5,818,799	5,818,799	356,210	-	6,175,009
Land improvements	-	954,013	954,013	87,525	-	1,041,538
Machinery and equipment	-	1,331,390	1,331,390	195,988	-	1,527,378
Vehicles	-	1,471,230	1,471,230	149,403	-	1,620,633
Infrastructure	-	14,356,720	14,356,720	2,208,821	-	16,565,541
Total Accumulated Depreciation	-	23,932,152	23,932,152	2,997,947	-	26,930,099
Total Capital Assets, Being Depreciated, Net	14,600,261	47,859,960	62,460,221	(1,708,815)	-	60,751,406
Governmental Activities Capital Assets, Net	\$ 17,332,961	\$ 47,918,155	\$ 65,251,116	\$ (1,377,725)	\$ (68,105)	\$ 63,805,286

The adjustments of \$71,079,623 to infrastructure and (\$14,356,720) to infrastructure accumulated depreciation are to record all retroactive infrastructure. The remaining adjustment amounts are to restate the beginning balances of capital assets based on a physical inventory.

City of Banning
Notes to Financial Statements (Continued)

Note 7: Changes in Capital Assets

	Beginning Balance	Adjustments	Adjusted Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:						
Capital assets, not being depreciated:						
Land	\$ 1,066,531	\$ 117,698	\$ 1,184,229	\$ -	\$ -	\$ 1,184,229
Construction-in-progress	664,864	-	664,864	3,201,420	(53,640)	3,812,644
Total Capital Assets, Not Being Depreciated	1,731,395	117,698	1,849,093	3,201,420	(53,640)	4,996,873
Capital assets, being depreciated:						
Airport master plan	38,875	-	38,875	-	-	38,875
Buildings and structures	497,363	12,409	509,772	9,475	-	519,247
Improvements	1,328,600	-	1,328,600	-	-	1,328,600
Machinery and equipment	21,584	(12,409)	9,175	-	-	9,175
Utility plant	71,306,426	1,488,909	72,795,335	3,411,467	-	76,206,802
Total Capital Assets, Being Depreciated	73,192,848	1,488,909	74,681,757	3,420,942	-	78,102,699
Less accumulated depreciation:						
Airport master plan	38,875	-	38,875	-	-	38,875
Buildings and structures	298,589	-	298,589	12,554	-	311,143
Improvements	437,714	-	437,714	60,356	-	498,070
Machinery and equipment	9,175	-	9,175	-	-	9,175
Utility plant	30,468,088	-	30,468,088	2,333,236	-	32,801,324
Total Accumulated Depreciation	31,252,441	-	31,252,441	2,406,146	-	33,658,587
Total Capital Assets Being Depreciated, Net	\$ 41,940,407	\$ 1,488,909	\$ 43,429,316	\$ 1,014,796	\$ -	\$ 44,444,112
Business-Type Activities Capital Assets, Net	\$ 43,671,802	\$ 1,606,607	\$ 45,278,409	\$ 4,216,216	\$ (53,640)	\$ 49,440,985

City of Banning
Notes to Financial Statements (Continued)

Note 7: Changes in Capital Assets

The adjustments are based on a physical inventory of capital assets.

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

Governmental Activities:	
General government	\$ 213,981
Public safety	297,065
Public works	2,342,741
Parks and recreation	<u>144,160</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 2,997,947</u>
Business-Type Activities:	
Airport	\$ 72,911
Transit	161,818
Water utility	650,679
Electric utility	698,254
Wastewater utility	<u>822,484</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 2,406,146</u>

Note 8: 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.

	<u>\$ 52,582</u>
Total Loans Receivable	<u>\$ 52,582</u>

Note 9: Accounts Receivable

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

<u>Fund</u>	<u>Gross Receivable</u>	<u>Allowance For Doubtful Accounts</u>	<u>Net Receivable</u>
Airport	\$ 950	\$ -	\$ 950
Water	644,485	53,418	591,067
Electric	2,154,722	163,122	1,991,600
Wastewater	245,384	20,539	224,845
Refuse	<u>265,045</u>	<u>21,073</u>	<u>243,972</u>
Totals	<u>\$ 3,310,586</u>	<u>\$ 258,152</u>	<u>\$ 3,052,434</u>

City of Banning
Notes to Financial Statements (Continued)

Note 10: 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 \$18,261.37. 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.

\$ 446,421

Note 11: Long-Term Debt

The following is a summary of the changes in long-term debt for the fiscal year ended June 30, 2003:

	Balance July 1, 2002, As Previously Reported	Adjustments	Outstanding July 1, 2002, As Adjusted	Incurred	Retired	Balance June 30, 2003	Due Within One Year
Governmental Activities:							
1992 Tax Allocation Bonds	\$ 2,750,000	\$ -	\$ 2,750,000	\$ -	\$ 205,000	\$ 2,545,000	\$ 220,000
1997 Refunding Certificates of Participation	6,100,000	-	6,100,000	-	200,000	5,900,000	210,000
Advances Payable	894,096	(894,096)	-	-	-	-	-
Employee Benefits Payable:							
Governmental Funds	693,415	-	693,415	48,241	-	741,656	-
Internal Service Funds	246,503	-	246,503	-	21,600	224,903	-
Total	<u>\$ 10,684,014</u>	<u>\$ (894,096)</u>	<u>\$ 9,789,918</u>	<u>\$ 48,241</u>	<u>\$ 426,600</u>	<u>\$ 9,411,559</u>	<u>\$ 430,000</u>
Business-Type Activities:							
Water Utility COPs	\$ 5,095,000	\$ -	\$ 5,095,000	\$ -	\$ 185,000	\$ 4,910,000	\$ 195,000
Electric Utility COPs	1,845,000	-	1,845,000	-	1,845,000	-	-
Wastewater Utility COPs	2,410,000	-	2,410,000	-	160,000	2,250,000	170,000
Wastewater Loan Payable	4,516,991	-	4,516,991	-	186,847	4,330,144	191,705
Employee Benefits Payable	286,547	-	286,547	-	10,076	276,471	-
Total	<u>\$ 14,153,538</u>	<u>\$ -</u>	<u>\$ 14,153,538</u>	<u>\$ -</u>	<u>\$ 2,386,923</u>	<u>\$ 11,766,615</u>	<u>\$ 556,705</u>

The adjustment to the general long-term debt is to properly record advances to other funds in the individual fund to which the advance relates.

a. 1992 Tax Allocation Bonds

On February 1, 1992, the Banning Redevelopment Agency issued \$4,130,000 of 1992 Tax Allocations Bonds to finance Project Area No. 1 redevelopment costs. Interest is payable semi-annually on February 1 and August 1 of each year at rates of interest ranging from 6.000% to 6.125%, commencing August 1, 1992. Principal on serial bonds is payable in annual installments on each August 1, through the year 2011. The outstanding principal balance at June 30, 2003 was \$2,545,000.

City of Banning
Notes to Financial Statements (Continued)

Note 11: Long-Term Debt (Continued)

The annual requirements to amortize the tax allocation bonds included in the General Long-Term Debt Account Group are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 220,000	\$ 148,750	\$ 368,750
2005	235,000	134,983	369,983
2006	245,000	120,343	365,343
2007	265,000	104,788	369,788
2008	280,000	88,165	368,165
2009-2013	<u>1,300,000</u>	<u>165,374</u>	<u>1,465,374</u>
Total	<u>\$ 2,545,000</u>	<u>\$ 762,403</u>	<u>\$ 3,307,403</u>

b. 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 the General Long-Term Debt Account Group.

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.

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 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 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, 2003 was \$5,900,000.

City of Banning
Notes to Financial Statements (Continued)

Note 11: Long-Term Debt (Continued)

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>
2004	\$ 210,000	\$ 306,153	\$ 516,153
2005	220,000	296,583	516,583
2006	230,000	286,343	516,343
2007	240,000	275,293	515,293
2008	250,000	263,439	513,439
2009-2013	1,455,000	1,107,265	2,562,265
2014-2018	1,890,000	657,525	2,547,525
2019-2020	1,405,000	118,662	1,523,662
Total	<u>\$ 5,900,000</u>	<u>\$ 3,311,263</u>	<u>\$ 9,211,263</u>

c. Certificates of Participation, Water Utility Enterprise Fund

1. On November 1, 1986, \$4,055,000 of Certificates of Participation (Certificates) were 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 is 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, 2003 was \$2,885,000.

City of Banning
Notes to Financial Statements (Continued)

Note 11: Long-Term Debt (Continued)

2. On January 1, 1989, \$2,585,000 of Certificates of Participation (Certificates) were 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 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 is 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, 2003 was \$2,025,000.

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

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 195,000	\$ 354,643	\$ 549,643
2005	205,000	340,205	545,205
2006	225,000	324,430	549,430
2007	240,000	307,365	547,365
2008	260,000	288,867	548,867
2009-2013	1,610,000	1,115,232	2,725,232
2014-2018	1,965,000	413,733	2,378,733
2019	210,000	8,400	218,400
Total	<u>\$ 4,910,000</u>	<u>\$ 3,152,875</u>	<u>\$ 8,062,875</u>

City of Banning
Notes to Financial Statements (Continued)

Note 11: Long-Term Debt (Continued)

d. Certificates of Participation, Electric Utility Enterprise Fund

1. On April 1, 1986, \$1,250,000 of Certificates of Participation (Certificates) were issued to construct a hydroelectric plant and appurtenant facilities and to retire an outstanding street light loan 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 revenues derived from the ownership or operation of the electric 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 \$104,512 is 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 Electric Utility Enterprise Fund, the Certificates are recorded as long-term debt in the Electric Utility Enterprise Fund.

The Certificates maturing 1988 to 2001 are serial certificates payable in annual installments of \$15,000 to \$35,000, while the term Certificates mature between 2003 and 2016. Interest is payable semi-annually on each October 1 and April 1, commencing October 1, 1986, at rates ranging from 5.0% to 7.1% per annum. The remaining certificates were redeemed in 2002-03.

2. On November 1, 1986, \$1,320,000 of Certificates of Participation (Certificates) were issued to construct a hydroelectric plant and related appurtenant facilities. 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 electric 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 \$108,585 is 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 Electric Utility Enterprise Fund, the Certificates are recorded as long-term debt in the Electric Utility Enterprise Fund.

The Certificates maturing 1987 to 2001 are serial certificates payable in annual installments of \$15,000 to \$35,000, 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 4.0% to 7.0% per annum. The remaining certificates were redeemed in 2002-03.

City of Banning
Notes to Financial Statements (Continued)

Note 11: Long-Term Debt (Continued)

e. Certificates of Participation, Wastewater Utility Enterprise Fund

On January 1, 1989, \$3,740,000 of Certificates of Participation (Certificates) were 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 is 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.

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, 2003 was \$2,250,000.

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>
2004	\$ 170,000	\$ 172,775	\$ 342,775
2005	185,000	159,000	344,000
2006	195,000	143,800	338,800
2007	210,000	127,600	337,600
2008	225,000	110,200	335,200
2009-2013	710,000	319,600	1,029,600
2014-2018	445,000	139,000	584,000
2019	110,000	4,400	114,400
Total	<u>\$ 2,250,000</u>	<u>\$ 1,176,375</u>	<u>\$ 3,426,375</u>

f. 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, 2003 was \$4,330,144. The loan is recorded in the Wastewater Utility Enterprise Fund.

City of Banning
Notes to Financial Statements (Continued)

Note 12: Compensated Absences

For governmental funds, accumulated vacation, sick leave benefits, holiday and compensatory time payable at June 30, 2003 was \$741,656. 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 \$501,374 (\$276,471 in Enterprise Funds and \$224,903 in Internal Service Funds). These amounts are recorded within the respective proprietary funds.

Note 13: 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 14: 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 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:

	Amount of Issue	Outstanding June 30, 2003
CFD 86-1 1996 Refunding Bonds	\$ 3,810,000	\$ 1,335,000
AD 91-1 1992	3,422,134	2,265,000

Note 15: Single Family Mortgage Revenue Bonds

The Redevelopment Agency has issued mortgage revenue bonds as follows:

	Outstanding Balance June 30, 2003
Redevelopment Agency of the City of Banning Single Family Residential Mortgage Revenue Refunding Bonds	<u>\$ 1,800,000</u>

The Bonds are special obligations payable solely from payments made on the loans and are secured by a pledge of such loans. Neither the faith and credit, nor the taxing power, of the City of Banning or the Agency 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 16: Prior Period Adjustments

The beginning fund balances/net assets have been restated for the following:

Governmental Funds:	
Special Revenue Funds:	
Measure A	\$ 72,944
To reclassify prior year revenue	
Debt Service Funds:	
Redevelopment Agency	<u>(979,562)</u>
To move advances from the General Fund from the General Long-Term Debt Account Group to the proper fund in the amount of (\$894,096) and to adjust for sales tax forgiveness on a loan receivable in the amount of (\$85,466).	
Total Governmental Funds	<u>\$ (906,618)</u>
Proprietary Funds:	
Enterprise Funds:	
Water Utility	\$ 1,513,490
Electric Utility	117,573
Wastewater Utility	(25,802)
Airport	<u>112,831</u>
Total Proprietary Funds	<u>\$ 1,718,092</u>
Internal Service Funds:	
Fleet Maintenance	\$ 1,368
Information Services	17,135
Public Works Administration	(46,934)
Utility Billing Accounting and Collection	<u>(12,674)</u>
Total Internal Service Funds	<u>\$ (41,105)</u>
The beginning net assets of the Proprietary Funds have been restated based on an inventory of capital assets.	
Statement of Net Assets:	
The beginning net assets have been restated as follows:	
Governmental funds restatements detailed above	\$ (906,618)
Capital assets and accumulated depreciation	64,561,680
Bonds payable	(8,850,000)
Compensated absences	(693,415)
Accrued interest on bonds	(123,083)
Internal service funds	<u>1,554,299</u>
Total Statement of Net Assets	<u>\$ 55,542,863</u>

City of Banning
Notes to Financial Statements (Continued)

Note 17: 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, of which the City pays 7% on behalf of the employees and the employees pay 1%, per MOU agreements. 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, 2003 was 0% for miscellaneous employees. Benefit provisions and all other requirements are established by State statute and City contract with employee bargaining groups.

Annual Pension Cost - Miscellaneous

For the year ended June 30, 2003, the City's annual pension cost (employer contribution) of \$0 for miscellaneous employees was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2001, 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, 2003 was 0% 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, 2003, the City's annual pension cost (employer contribution) of \$0 for safety employees was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2000 actuarial valuation using the entry age normal actuarial cost method.

City of Banning
Notes to Financial Statements (Continued)

Note 17: City Employees Retirement Plan (Defined Benefit Pension Plan) (Continued)

The actuarial assumptions included (a) 8.25% investment rate of return (net of administrative expenses), (b) 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 3.50%. 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>
6/30/2001	\$ -	100% %	\$ -
6/30/2002	\$ -	100% %	\$ -
6/30/2003	\$ 348,041	100% %	\$ -

*Employer contribution

Schedule of Funding Progress for PERS - Miscellaneous Plan

<u>Actuarial Valuation Date</u>	<u>Entry Age Normal Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded Liability (Excess Assets)</u>	<u>Funded Status</u>	<u>Annual Covered Payroll</u>	<u>UAAL *as a % of Covered Payroll</u>
6/30/2000	\$ 16,603,966	\$ 23,533,116	\$ (6,929,150)	141.7 %	\$ 3,827,987	(181.013) %
6/30/2001	18,731,044	23,971,161	(5,240,117)	128.0 %	4,191,225	(125.026) %
6/30/2002	21,306,891	22,397,082	(1,090,191)	105.1 %	4,927,433	(22.100) %

*UAAL - Unfunded actuarial accrued liability

Three-Year Trend Information for PERS - Safety Plan

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)*</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligations</u>
6/30/2001	\$ 285,003	100% %	\$ -
6/30/2002	-	100% %	\$ -
6/30/2003	150,252	100% %	\$ -

*Employer contribution

City of Banning
Notes to Financial Statements (Continued)

Note 17: City Employees Retirement Plan (Defined Benefit Pension Plan) (Continued)

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
6/30/2000	\$ 18,669,795	\$ 21,129,501	\$ (2,459,706)	113.2 %	\$ 1,399,157	(175.799) %
6/30/2001	19,695,628	21,549,109	(1,853,481)	109.4 %	1,473,771	(125.764) %
6/30/2002	2,036,008	19,735,140	624,948	96.9 %	1,610,234	38.800 %

*UAAL - Unfunded actuarial accrued liability

Note 18: 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 19: Segment Information for Enterprise Funds

Segment information for enterprise fund activities are as follows:

	Water Utility	Wastewater Utility
Condensed statement of net assets:		
Assets:		
Current assets	\$ 5,935,650	\$ 8,719,161
Restricted assets	644,057	402,230
Capital assets (net)	21,916,909	13,698,440
Other noncurrent assets	244,938	371,069
Total Assets	28,741,554	23,190,900
Liabilities:		
Current liabilities	921,167	781,408
Noncurrent liabilities	4,808,916	6,226,116
Total Liabilities	5,730,083	7,007,524
Net Assets:		
Restricted	17,650,966	7,520,526
Unrestricted	5,360,505	8,662,850
Total Net Assets	\$23,011,471	\$16,183,376

City of Banning
Notes to Financial Statements (Continued)

Note 19: Segment Information For Enterprise Funds (Continued)

	Water Utility	Wastewater Utility
Condensed statement of revenues, expenses and changes in net assets:		
Operating revenue	\$ 4,520,837	\$ 2,066,636
Depreciation expense	(650,679)	(822,484)
Operating expense	<u>(3,652,894)</u>	<u>(1,501,925)</u>
Operating Income (Loss)	217,264	(257,773)
Nonoperating revenue (expenses)	2,632,249	2,309,521
Operating transfers	<u>(23,000)</u>	<u>(96,000)</u>
Change in Net Assets	2,826,513	1,955,748
Beginning Net Assets, as adjusted	<u>20,184,958</u>	<u>14,227,628</u>
Ending Net Assets	<u><u>\$ 23,011,471</u></u>	<u><u>\$ 16,183,376</u></u>
Condensed statement of cash flows:		
Net cash provided (used) by:		
Operating activities	\$ 3,461,820	\$ 3,011,307
Noncapital financing activities	(23,000)	(71,000)
Capital and related financing activities	(4,362,676)	(877,653)
Investing activities	<u>694,085</u>	<u>164,165</u>
Net increase (decrease)	(229,771)	2,226,819
Beginning cash and cash equivalents	<u>5,974,040</u>	<u>6,430,844</u>
Ending cash and cash equivalents	<u><u>\$ 5,744,269</u></u>	<u><u>\$ 8,657,663</u></u>

Note 20: Insurance Programs

The City maintains self-insurance programs for workers' compensation and general liability. For 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, 2003, the amount of these liabilities was \$939,466. The amount represents an estimate of \$497,553 for reported claims through June 30, 2003 and \$441,913 of estimate incurred, but not reported claims. This liability is the City's best estimate based on available information.

City of Banning
Notes to Financial Statements (Continued)

Note 20: Insurance Programs (Continued)

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, 2001, resulted from the following:

<u>Year</u>	<u>Liability at Beginning</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Liability at End</u>
2002	\$ 1,142,838	\$ 248,584	\$ (421,956)	\$ 939,466
2003	939,466	863,524	(644,230)	1,158,760

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 21: 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 which 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 22: 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, 2003 was \$71,723,751.

City of Banning
Notes to Financial Statements (Continued)

Note 22: Commitments (Continued)

Summary financial information (audited) of SCPPA for the fiscal year ended June 30, 2003 was as follows:

	Amounts <u>(in thousands)</u>
Total Assets	\$ 2,544,168
Total Liabilities	<u>(2,670,583)</u>
Total Net Assets	<u>\$ (126,415)</u>
Beginning Net Assets	\$ (193,209)
Total Revenues (including investment)	478,088
Total Expenses (including debt and loss on refunding)	(331,558)
Net Withdrawals by Participants	<u>(79,736)</u>
Ending Net Assets	<u>\$ (126,415)</u>

Separate audited financial statements for SCPPA are available from SCPPA.

Note 23: Subsequent Event

The Redevelopment Agency issued its Merged Downtown and Midway Redevelopment Project Tax Allocation Bonds, Series 2003 in the amount of \$14,095,000 in December 2003. The bonds bear interest at the rates of 2% to 5% per annum. Interest is paid semiannually with payments beginning February 1, 2004 and principal is paid annually from August 1, 2004 through August 1, 2028. The bonds were issued to advance refund \$2,325,000 of outstanding Community Redevelopment Agency of the City of Banning, Downtown Redevelopment Project Tax Allocation Bonds, Series 1992A, to finance a portion of the costs of the redevelopment project, to pay costs in connection with the issuance of the bonds and to make certain other deposits as required by the indenture.

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF BANNING
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2003

	Special Revenue Funds			
	Gas Tax Street	Measure A	SB 300 Street	Article 3 Sidewalk
Assets:				
Cash and investments	\$ 392,945	\$ 864,842	\$ 168,985	\$ 10,306
Receivables:				
Accounts	-	-	-	-
Interest	1,500	3,436	696	42
Loans	3,111	-	-	-
Due from other governments	74,192	169,037	-	-
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
Total Assets	\$ 471,748	\$ 1,037,315	\$ 169,681	\$ 10,348
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 2,820	\$ 386	\$ -	\$ -
Accrued liabilities	10,776	-	-	-
Due to other funds	-	-	-	-
Deferred revenues	-	-	-	-
Advances from other funds	-	-	-	-
Deposits payable	-	-	-	-
Total Liabilities	13,596	386	-	-
Fund Balances:				
Reserved:				
Reserved for low and moderate income housing	-	-	-	-
Reserved for special donations	-	-	-	-
Reserved for long-term note receivable	3,111	-	-	-
Unreserved:				
Designated for capital projects	-	-	-	-
Designated for debt service	-	-	-	-
Designated for continuing appropriations	69,900	348,881	110,610	-
Undesignated	385,141	688,048	59,071	10,348
Total Fund Balances	458,152	1,036,929	169,681	10,348
Total Liabilities and Fund Balances	\$ 471,748	\$ 1,037,315	\$ 169,681	\$ 10,348

Special Revenue Funds					
Community Development Block Grant	Landscape Maintenance District	AQMD Air Pollution Program	Local Law Enforcement Block Grant	COPS MORE Grant	Supplemental Law Enforcement
\$ -	\$ 8,435	\$ 189,755	\$ 33,066	\$ 130,583	\$ 205,268
-	-	-	-	-	-
-	54	764	182	270	892
-	-	-	-	-	-
39,513	1,431	7,339	-	-	-
-	-	-	-	-	-
<u>\$ 39,513</u>	<u>\$ 9,920</u>	<u>\$ 197,858</u>	<u>\$ 33,248</u>	<u>\$ 130,853</u>	<u>\$ 206,160</u>
\$ 8,036	\$ 481	\$ 703	\$ -	\$ -	\$ -
-	-	-	250	-	2,021
31,477	-	-	-	-	-
-	-	-	32,998	98,207	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>39,513</u>	<u>481</u>	<u>703</u>	<u>33,248</u>	<u>98,207</u>	<u>2,021</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	97,432	-	-	83,578
-	9,439	99,723	-	32,646	120,561
-	<u>9,439</u>	<u>197,155</u>	<u>-</u>	<u>32,646</u>	<u>204,139</u>
<u>\$ 39,513</u>	<u>\$ 9,920</u>	<u>\$ 197,858</u>	<u>\$ 33,248</u>	<u>\$ 130,853</u>	<u>\$ 206,160</u>

CITY OF BANNING
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2003

	Special Revenue Funds			
	Public Safety Sales Tax	State Park Bond Act	Property Abatement	Special Donations
Assets:				
Cash and investments	\$ 58,205	\$ -	\$ 217,490	\$ 35,299
Receivables:				
Accounts	-	-	2,443	-
Interest	218	-	843	-
Loans	-	-	587	-
Due from other governments	11,604	180,600	29,445	-
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
Total Assets	\$ 70,027	\$ 180,600	\$ 250,808	\$ 35,299
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 1,071	\$ 18,415
Accrued liabilities	-	-	2,676	-
Due to other funds	-	174,210	-	-
Deferred revenues	-	-	-	-
Advances from other funds	-	-	-	-
Deposits payable	-	-	-	-
Total Liabilities	-	174,210	3,747	18,415
Fund Balances:				
Reserved:				
Reserved for low and moderate income housing	-	-	-	-
Reserved for special donations	-	-	-	16,884
Reserved for long-term note receivable	-	-	-	-
Unreserved:				
Designated for capital projects	-	-	-	-
Designated for debt service	-	-	-	-
Designated for continuing appropriations	-	-	79,872	-
Undesignated	70,027	6,390	167,189	-
Total Fund Balances	70,027	6,390	247,061	16,884
Total Liabilities and Fund Balances	\$ 70,027	\$ 180,600	\$ 250,808	\$ 35,299

Special Revenue Funds						
Senior Center Activities	Police Volunteer	D.A.R.E. Donation	Ramsey/ Highland Home Signal	Wilson Median Improvement	Animal Control Reserve	Low & Moderate Income Housing
\$ 57,672	\$ 4,736	\$ 11,356	\$ 66,067	\$ 309,151	\$ 11,310	\$ 534,175
-	-	-	-	-	-	-
236	23	53	272	1,272	46	2,061
-	-	-	-	-	-	5,116
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 57,908</u>	<u>\$ 4,759</u>	<u>\$ 11,409</u>	<u>\$ 66,339</u>	<u>\$ 310,423</u>	<u>\$ 11,356</u>	<u>\$ 541,352</u>
\$ 615	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1
-	-	-	-	-	-	606
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>615</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>607</u>
-	-	-	-	-	-	540,745
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	11,356	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
57,293	4,759	11,409	66,339	310,423	-	-
<u>57,293</u>	<u>4,759</u>	<u>11,409</u>	<u>66,339</u>	<u>310,423</u>	<u>11,356</u>	<u>540,745</u>
<u>\$ 57,908</u>	<u>\$ 4,759</u>	<u>\$ 11,409</u>	<u>\$ 66,339</u>	<u>\$ 310,423</u>	<u>\$ 11,356</u>	<u>\$ 541,352</u>

CITY OF BANNING
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2003

	Capital Projects Funds			
	Police Facilities Development	Fire Facilities Development	Traffic Control Facilities	General Facilities
Assets:				
Cash and investments	\$ 385,596	\$ 362,479	\$ 270,633	\$ 266,200
Receivables:				
Accounts	-	-	-	-
Interest	1,449	1,187	1,042	1,024
Loans	-	-	-	-
Due from other governments	-	-	-	-
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
Total Assets	\$ 387,045	\$ 363,666	\$ 271,675	\$ 267,224
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-
Due to other funds	-	-	-	-
Deferred revenues	-	-	-	-
Advances from other funds	-	-	-	-
Deposits payable	-	-	-	-
Total Liabilities	-	-	-	-
Fund Balances:				
Reserved:				
Reserved for low and moderate income housing	-	-	-	-
Reserved for special donations	-	-	-	-
Reserved for long-term note receivable	-	-	-	-
Unreserved:				
Designated for capital projects	387,045	363,666	271,675	267,224
Designated for debt service	-	-	-	-
Designated for continuing appropriations	-	-	-	-
Undesignated	-	-	-	-
Total Fund Balances	387,045	363,666	271,675	267,224
Total Liabilities and Fund Balances	\$ 387,045	\$ 363,666	\$ 271,675	\$ 267,224

Schedule 1
Page 6 of 6

Capital Projects Funds		Debt Service Funds		Total Governmental Funds
Park Development	Redevelopment Agency	City Debt Service Fund	Redevelopment Agency	
\$ 565,684	\$ 803,219	\$ 36,822	\$ 323,982	\$ 6,324,261
-	-	-	1,623	4,066
1,953	2,974	160	1,346	23,995
-	-	-	446,421	455,235
-	-	-	-	513,161
-	-	522,781	380,403	903,184
<u>\$ 567,637</u>	<u>\$ 806,193</u>	<u>\$ 559,763</u>	<u>\$ 1,153,775</u>	<u>\$ 8,223,902</u>
\$ -	\$ 353	\$ -	\$ -	\$ 32,881
-	2,263	-	-	18,592
-	-	-	-	205,687
-	-	-	-	131,205
-	-	-	835,468	835,468
106,893	45,256	-	-	152,149
<u>106,893</u>	<u>47,872</u>	<u>-</u>	<u>835,468</u>	<u>1,375,982</u>
-	-	-	-	540,745
-	-	-	-	16,884
-	-	-	446,421	449,532
460,744	-	-	-	1,761,710
-	-	559,763	-	559,763
-	-	-	-	790,273
-	758,321	-	(128,114)	2,729,013
<u>460,744</u>	<u>758,321</u>	<u>559,763</u>	<u>318,307</u>	<u>6,847,920</u>
<u>\$ 567,637</u>	<u>\$ 806,193</u>	<u>\$ 559,763</u>	<u>\$ 1,153,775</u>	<u>\$ 8,223,902</u>

CITY OF BANNING

**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2003**

	Special Revenue Funds			
	Gas Tax Street	Measure A	SB 300 Street	Article 3 Sidewalk
Revenues:				
Taxes	\$ -	\$ 568,998	\$ -	\$ -
Intergovernmental	585,482	-	-	110,538
Charges for services	-	-	-	-
Use of money and property	6,789	15,057	3,420	820
Miscellaneous	28,910	-	-	7,000
Total Revenues	621,181	584,055	3,420	118,358
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	762,735	-	-	-
Parks and recreation	-	-	-	-
Capital outlay	126,197	496,448	-	225,925
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Pass-through agreement payments	-	-	-	-
Total Expenditures	888,932	496,448	-	225,925
Excess (Deficiency) of Revenues Over (Under) Expenditures	(267,751)	87,607	3,420	(107,567)
Other Financing Sources (Uses):				
Transfers in	314,000	-	-	88,387
Transfers out	(4,500)	(88,387)	-	-
Total Other Financing Sources (Uses)	309,500	(88,387)	-	88,387
Net Change in Fund Balances	41,749	(780)	3,420	(19,180)
Fund Balances, Beginning of Year, as originally reported	416,403	964,765	166,261	29,528
Restatements	-	72,944	-	-
Fund Balances, Beginning of Year, as restated	416,403	1,037,709	166,261	29,528
Fund Balances, End of Year	\$ 458,152	\$ 1,036,929	\$ 169,681	\$ 10,348

Special Revenue Funds				
Community Development Block Grant	Landscape Maintenance District	AQMD Air Pollution Program	Local Law Enforcement Block Grant	COPS MORE Grant
\$ -	\$ 33,277	\$ -	\$ -	\$ -
109,740	-	28,368	77,771	-
-	-	-	-	-
-	248	3,600	1,133	-
-	-	-	-	-
109,740	33,525	31,968	78,904	-
-	-	-	-	-
28,000	-	-	33,044	-
-	34,330	-	-	-
-	-	-	-	-
81,740	-	2,567	53,479	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
109,740	34,330	2,567	86,523	-
-	(805)	29,401	(7,619)	-
-	4,500	-	7,619	32,646
-	-	-	-	-
-	4,500	-	7,619	32,646
-	3,695	29,401	-	32,646
-	5,744	167,754	-	-
-	-	-	-	-
-	5,744	167,754	-	-
\$ -	\$ 9,439	\$ 197,155	\$ -	\$ 32,646

CITY OF BANNING

**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2003**

	Special Revenue Funds			
	Supplemental Law Enforcement	Public Safety Sales Tax	State Park Bond Act	Property Abatement
Revenues:				
Taxes	\$ -	\$ 146,618	\$ -	\$ 26,182
Intergovernmental	119,796	-	180,600	119,754
Charges for services	-	-	-	28,679
Use of money and property	3,778	972	-	3,961
Miscellaneous	-	-	-	6,191
Total Revenues	123,574	147,590	180,600	184,767
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	106,036	-	-	-
Public works	-	-	-	198,756
Parks and recreation	-	-	-	-
Capital outlay	-	-	174,210	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Pass-through agreement payments	-	-	-	-
Total Expenditures	106,036	-	174,210	198,756
Excess (Deficiency) of Revenues Over (Under) Expenditures	17,538	147,590	6,390	(13,989)
Other Financing Sources (Uses):				
Transfers in	-	-	-	26,500
Transfers out	-	(130,000)	-	-
Total Other Financing Sources (Uses)	-	(130,000)	-	26,500
Net Change in Fund Balances	17,538	17,590	6,390	12,511
Fund Balances, Beginning of Year, as originally reported	186,601	52,437	-	234,550
Restatements	-	-	-	-
Fund Balances, Beginning of Year, as restated	186,601	52,437	-	234,550
Fund Balances, End of Year	\$ 204,139	\$ 70,027	\$ 6,390	\$ 247,061

Special Revenue Funds				
Special Donations	Senior Center Activities	Police Volunteer	D.A.R.E. Donation	Ramsey/ Highland Home Signal
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	1,162	-	-	-
-	1,143	119	212	1,339
38,794	13,884	3,474	8,931	-
38,794	16,189	3,593	9,143	1,339
-	-	-	-	-
-	-	8,981	7,301	-
-	-	-	-	-
56,051	12,854	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
56,051	12,854	8,981	7,301	-
(17,257)	3,335	(5,388)	1,842	1,339
15,000	-	1,000	4,000	-
-	-	-	-	-
15,000	-	1,000	4,000	-
(2,257)	3,335	(4,388)	5,842	1,339
19,141	53,958	9,147	5,567	65,000
-	-	-	-	-
19,141	53,958	9,147	5,567	65,000
\$ 16,884	\$ 57,293	\$ 4,759	\$ 11,409	\$ 66,339

CITY OF BANNING

**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2003**

	Special Revenue Funds			Capital Projects Funds
	Wilson Median Improvement	Animal Control Reserve	Low & Moderate Income Housing	Police Facilities Development
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Use of money and property	6,267	229	9,122	5,708
Miscellaneous	-	-	8,788	207,888
Total Revenues	6,267	229	17,910	213,596
Expenditures:				
Current:				
General government	-	-	72,954	-
Public safety	-	-	-	-
Public works	-	-	-	-
Parks and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Pass-through agreement payments	-	-	-	-
Total Expenditures	-	-	72,954	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	6,267	229	(55,044)	213,596
Other Financing Sources (Uses):				
Transfers in	-	-	181,568	-
Transfers out	-	-	(68,727)	-
Total Other Financing Sources (Uses)	-	-	112,841	-
Net Change in Fund Balances	6,267	229	57,797	213,596
Fund Balances, Beginning of Year, as originally reported	304,156	11,127	482,948	173,449
Restatements	-	-	-	-
Fund Balances, Beginning of Year, as restated	304,156	11,127	482,948	173,449
Fund Balances, End of Year	\$ 310,423	\$ 11,356	\$ 540,745	\$ 387,045

Capital Projects Funds					Debt Service Funds
Fire Facilities Development	Traffic Control Facilities	General Facilities	Park Development	Redevelopment Agency	City Debt Service Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
4,567	4,454	4,369	6,524	20,405	521,713
520,390	95,673	95,029	352,171	4,558	-
524,957	100,127	99,398	358,695	24,963	521,713
-	-	-	-	160,282	4,363
8,977	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	24,754	44,335	-
-	-	-	-	-	200,000
-	-	-	-	-	315,073
-	-	-	-	-	-
8,977	-	-	24,754	204,617	519,436
515,980	100,127	99,398	333,941	(179,654)	2,277
-	-	-	-	299,160	-
-	-	-	-	-	-
-	-	-	-	299,160	-
515,980	100,127	99,398	333,941	119,506	2,277
(152,314)	171,548	167,826	126,803	638,815	557,486
-	-	-	-	-	-
(152,314)	171,548	167,826	126,803	638,815	557,486
\$ 363,666	\$ 271,675	\$ 267,224	\$ 460,744	\$ 758,321	\$ 559,763

CITY OF BANNING

Schedule 2

Page 7 of 7

**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2003**

	<u>Debt Service Funds</u>	<u>Total Governmental Funds</u>
	<u>Redevelopment Agency</u>	
Revenues:		
Taxes	\$ 899,315	\$ 1,674,390
Intergovernmental	-	1,332,049
Charges for services	-	29,841
Use of money and property	9,603	635,552
Miscellaneous	29,831	1,421,512
Total Revenues	938,749	5,093,344
Expenditures:		
Current:		
General government	31,561	269,160
Public safety	-	192,339
Public works	-	995,821
Parks and recreation	-	68,905
Capital outlay	-	1,229,655
Debt service:		
Principal retirement	205,000	405,000
Interest and fiscal charges	199,843	514,916
Pass-through agreement payments	74,930	74,930
Total Expenditures	511,334	3,750,726
Excess (Deficiency) of Revenues Over (Under) Expenditures	427,415	1,342,618
Other Financing Sources (Uses):		
Transfers in	68,727	1,043,107
Transfers out	(480,728)	(772,342)
Total Other Financing Sources (Uses)	(412,001)	270,765
Net Change in Fund Balances	15,414	1,613,383
Fund Balances, Beginning of Year, as originally reported	1,282,455	6,141,155
Restatements	(979,562)	(906,618)
Fund Balances, Beginning of Year, as restated	302,893	5,234,537
Fund Balances, End of Year	\$ 318,307	\$ 6,847,920

CITY OF BANNING

Schedule 3A

**BUDGETARY COMPARISON SCHEDULE
GAS TAX STREET
YEAR ENDED JUNE 30, 2003**

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 416,403	\$ 416,403	\$ 416,403	\$ -
Resources (Inflows):				
Intergovernmental	530,312	530,312	585,482	55,170
Use of money and property	10,100	10,100	6,789	(3,311)
Other	31,750	31,750	28,910	(2,840)
Transfers from other funds	314,000	314,000	314,000	-
Amounts Available for Appropriation	1,302,565	1,302,565	1,351,584	49,019
Charges to Appropriation (Outflow):				
Public works	877,667	859,511	762,735	96,776
Capital outlay	149,600	203,345	126,197	77,148
Transfers to other funds	40,500	40,500	4,500	36,000
Total Charges to Appropriations	1,067,767	1,103,356	893,432	209,924
Budgetary Fund Balance, June 30	\$ 234,798	\$ 199,209	\$ 458,152	\$ 258,943

**BUDGETARY COMPARISON SCHEDULE
MEASURE A
YEAR ENDED JUNE 30, 2003**

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 964,765	\$ 964,765	\$ 964,765	\$ -
Resources (Inflows):				
Taxes	554,000	534,000	568,998	34,998
Use of money and property	20,000	20,000	15,057	(4,943)
Amounts Available for Appropriation	1,538,765	1,518,765	1,548,820	30,055
Charges to Appropriation (Outflow):				
Capital outlay	475,000	845,329	496,448	348,881
Transfers to other funds	-	88,387	88,387	-
Total Charges to Appropriations	475,000	933,716	584,835	348,881
Restatements	-	-	72,944	72,944
Budgetary Fund Balance, June 30	\$ 1,063,765	\$ 585,049	\$ 1,036,929	\$ 451,880

CITY OF BANNING

Schedule 3C

BUDGETARY COMPARISON SCHEDULES
SB 300 STREET
YEAR ENDED JUNE 30, 2003

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 166,261	\$ 166,261	\$ 166,261	\$ -
Resources (Inflows):				
Use of money and property	5,000	5,000	3,420	(1,580)
Amounts Available for Appropriation	171,261	171,261	169,681	(1,580)
Charges to Appropriation (Outflow):				
Capital outlay	70,000	119,047	-	119,047
Total Charges to Appropriations	70,000	119,047	-	119,047
Budgetary Fund Balance, June 30	\$ 101,261	\$ 52,214	\$ 169,681	\$ 117,467

CITY OF BANNING

Schedule 3D

**BUDGETARY COMPARISON SCHEDULE
ARTICLE 3 SIDEWALK
YEAR ENDED JUNE 30, 2003**

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 29,528	\$ 29,528	29,528	\$ -
Resources (Inflows):				
Intergovernmental	25,000	110,538	110,538	-
Use of money and property	500	900	820	(80)
Other	-	7,000	7,000	-
Transfers from other funds	20,000	108,387	88,387	(20,000)
Amounts Available for Appropriation	75,028	256,353	236,273	(20,080)
Charges to Appropriation (Outflow):				
Capital outlay	45,000	225,925	225,925	-
Total Charges to Appropriations	45,000	225,925	225,925	-
Budgetary Fund Balance, June 30	\$ 30,028	\$ 30,428	\$ 10,348	\$ (20,080)

**BUDGETARY COMPARISON SCHEDULE
COMMUNITY DEVELOPMENT BLOCK GRANT
YEAR ENDED JUNE 30, 2003**

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Intergovernmental	194,000	548,114	109,740	(438,374)
Amounts Available for Appropriation	194,000	548,114	109,740	(438,374)
Charges to Appropriation (Outflow):				
Public safety	29,000	29,000	28,000	1,000
Capital outlay	165,000	519,114	81,740	437,374
Total Charges to Appropriations	194,000	548,114	109,740	438,374
Budgetary Fund Balance, June 30	\$ -	\$ -	\$ -	\$ -

CITY OF BANNING

Schedule 3F

**BUDGETARY COMPARISON SCHEDULE
LANDSCAPE MAINTENANCE DISTRICT
YEAR ENDED JUNE 30, 2003**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 5,744	\$ 5,744	\$ 5,744	\$ -
Resources (Inflows):				
Taxes	33,300	33,300	33,277	(23)
Use of money and property	-	-	248	248
Transfers from other funds	20,500	20,500	4,500	(16,000)
Amounts Available for Appropriation	59,544	59,544	43,769	(15,775)
Charges to Appropriation (Outflow):				
Public works	53,800	53,800	34,330	19,470
Total Charges to Appropriations	53,800	53,800	34,330	19,470
Budgetary Fund Balance, June 30	\$ 5,744	\$ 5,744	\$ 9,439	\$ 3,695

CITY OF BANNING

Schedule 3G

**BUDGETARY COMPARISON SCHEDULE
AQMD AIR POLLUTION PROGRAM
YEAR ENDED JUNE 30, 2003**

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 167,754	\$ 167,754	\$ 167,754	\$ -
Resources (Inflows):				
Intergovernmental	27,000	27,000	28,368	1,368
Use of money and property	3,500	3,500	3,600	100
Amounts Available for Appropriation	198,254	198,254	199,722	1,468
Charges to Appropriation (Outflow):				
Capital outlay	-	100,000	2,567	97,433
Total Charges to Appropriations	-	100,000	2,567	97,433
Budgetary Fund Balance, June 30	\$ 198,254	\$ 98,254	\$ 197,155	\$ 98,901

**BUDGETARY COMPARISON SCHEDULE
LOCAL LAW ENFORCEMENT BLOCK GRANT
YEAR ENDED JUNE 30, 2003**

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Intergovernmental	-	110,769	77,771	(32,998)
Use of money and property	-	350	1,133	783
Transfers from other funds	-	7,619	7,619	-
Amounts Available for Appropriation	-	118,738	86,523	(32,215)
Charges to Appropriation (Outflow):				
Public safety	-	51,705	33,044	18,661
Capital outlay	-	67,033	53,479	13,554
Total Charges to Appropriations	-	118,738	86,523	32,215
Budgetary Fund Balance, June 30	\$ -	\$ -	\$ -	\$ -

CITY OF BANNING

Schedule 3I

**BUDGETARY COMPARISON SCHEDULE
COPS MORE GRANT
YEAR ENDED JUNE 30, 2003**

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Use of money and property	-	97,937	-	(97,937)
Transfers from other funds	-	32,646	32,646	-
Amounts Available for Appropriation	-	130,583	32,646	(97,937)
Charges to Appropriation (Outflow):				
Capital outlay	-	130,585	-	130,585
Total Charges to Appropriations	-	130,585	-	130,585
Budgetary Fund Balance, June 30	\$ -	\$ (2)	\$ 32,646	\$ 32,648

CITY OF BANNING

Schedule 3J

**BUDGET COMPARISON SCHEDULE
SUPPLEMENTAL LAW ENFORCEMENT
YEAR ENDED JUNE 30, 2003**

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 186,601	\$ 186,601	\$ 186,601	\$ -
Resources (Inflows):				
Intergovernmental	100,128	119,797	119,796	(1)
Use of money and property	-	1,105	3,778	2,673
Amounts Available for Appropriation	286,729	307,503	310,175	2,672
Charges to Appropriation (Outflow):				
Public safety	88,766	111,526	106,036	5,490
Capital outlay	11,362	95,245	-	95,245
Total Charges to Appropriations	100,128	206,771	106,036	100,735
Budgetary Fund Balance, June 30	\$ 186,601	\$ 100,732	\$ 204,139	\$ 103,407

CITY OF BANNING

Schedule 3K

**BUDGETARY COMPARISON SCHEDULE
PUBLIC SAFETY SALES TAX
YEAR ENDED JUNE 30, 2003**

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 52,437	\$ 52,437	\$ 52,437	\$ -
Resources (Inflows):				
Taxes	130,000	135,000	146,618	11,618
Use of money and property	1,000	1,000	972	(28)
Amounts Available for Appropriation	183,437	188,437	200,027	11,590
Charges to Appropriation (Outflow):				
Transfers to other funds	130,000	130,000	130,000	-
Payment to refunded bond escrow	-	-	-	-
Total Charges to Appropriations	130,000	130,000	130,000	-
Budgetary Fund Balance, June 30	\$ 53,437	\$ 58,437	\$ 70,027	\$ 11,590

**BUDGETARY COMPARISON SCHEDULE
STATE PARK BOND ACT
YEAR ENDED JUNE 30, 2003**

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Intergovernmental	-	236,000	180,600	(55,400)
Amounts Available for Appropriation	-	236,000	180,600	(55,400)
Charges to Appropriation (Outflow):				
Capital outlay	-	185,000	174,210	10,790
Total Charges to Appropriations	-	185,000	174,210	10,790
Budgetary Fund Balance, June 30	\$ -	\$ 51,000	\$ 6,390	\$ (44,610)

CITY OF BANNING

Schedule 3M

**BUDGETARY COMPARISON SCHEDULE
PROPERTY ABATEMENT
YEAR ENDED JUNE 30, 2003**

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 234,550	\$ 234,550	\$ 234,550	\$ -
Resources (Inflows):				
Taxes	31,800	31,800	26,182	(5,618)
Intergovernmental	113,195	145,041	119,754	(25,287)
Charges for services	11,000	15,000	28,679	13,679
Use of money and property	6,000	6,000	3,961	(2,039)
Other	-	-	6,191	6,191
Transfers from other funds	26,500	26,500	26,500	-
Amounts Available for Appropriation	423,045	458,891	445,817	(13,074)
Charges to Appropriation (Outflow):				
Public works	255,839	334,512	198,756	135,756
Capital outlay	12,000	-	-	-
Total Charges to Appropriations	267,839	334,512	198,756	135,756
Budgetary Fund Balance, June 30	\$ 155,206	\$ 124,379	\$ 247,061	\$ 122,682

CITY OF BANNING

Schedule 3N

**BUDGETARY COMPARISON SCHEDULE
SPECIAL DONATIONS
YEAR ENDED JUNE 30, 2003**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 19,141	\$ 19,141	\$ 19,141	\$ -
Resources (Inflows):				
Other	7,500	24,777	38,794	14,017
Transfers from other funds	15,000	15,000	15,000	-
Amounts Available for Appropriation	41,641	58,918	72,935	14,017
Charges to Appropriation (Outflow):				
Parks and recreation	22,500	47,792	56,051	(8,259)
Total Charges to Appropriations	22,500	47,792	56,051	(8,259)
Budgetary Fund Balance, June 30	\$ 19,141	\$ 11,126	\$ 16,884	\$ 5,758

CITY OF BANNING

Schedule 30

**BUDGETARY COMPARISON SCHEDULE
SENIOR CENTER ACTIVITIES
YEAR ENDED JUNE 30, 2003**

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 53,958	\$ 53,958	\$ 53,958	\$ -
Resources (Inflows):				
Charges for services	1,440	2,340	1,162	(1,178)
Use of money and property	1,000	1,000	1,143	143
Other	18,550	13,150	13,884	734
Amounts Available for Appropriation	74,948	70,448	70,147	(301)
Charges to Appropriation (Outflow):				
Parks and recreation	25,600	19,600	12,854	6,746
Total Charges to Appropriations	25,600	19,600	12,854	6,746
Budgetary Fund Balance, June 30	\$ 49,348	\$ 50,848	\$ 57,293	\$ 6,445

**BUDGETARY COMPARISON SCHEDULE
POLICE VOLUNTEER
YEAR ENDED JUNE 30, 2003**

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 9,147	\$ 9,147	\$ 9,147	\$ -
Resources (Inflows):				
Use of money and property	250	100	119	19
Other	1,250	3,050	3,474	424
Transfers from other funds	1,000	1,000	1,000	-
Amounts Available for Appropriation	11,647	13,297	13,740	443
Charges to Appropriation (Outflow):				
Public safety	2,500	8,500	8,981	(481)
Total Charges to Appropriations	2,500	8,500	8,981	(481)
Budgetary Fund Balance, June 30	\$ 9,147	\$ 4,797	\$ 4,759	\$ (38)

CITY OF BANNING

Schedule 3Q

**BUDGETARY COMPARISON SCHEDULE
D.A.R.E. DONATION
YEAR ENDED JUNE 30, 2003**

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 5,567	\$ 5,567	\$ 5,567	\$ -
Resources (Inflows):				
Use of money and property	150	150	212	62
Other	6,000	8,750	8,931	181
Transfers from other funds	4,000	4,000	4,000	-
Amounts Available for Appropriation	15,717	18,467	18,710	243
Charges to Appropriation (Outflow):				
Public safety	10,000	10,000	7,301	2,699
Total Charges to Appropriations	10,000	10,000	7,301	2,699
Budgetary Fund Balance, June 30	\$ 5,717	\$ 8,467	\$ 11,409	\$ 2,942

**BUDGETARY COMPARISON SCHEDULE
 RAMSEY/HIGHLAND HOME SIGNAL
 YEAR ENDED JUNE 30, 2003**

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 65,000	\$ 65,000	\$ 65,000	\$ -
Resources (Inflows):				
Use of money and property	1,500	1,500	1,339	(161)
Amounts Available for Appropriation	66,500	66,500	66,339	(161)
Budgetary Fund Balance, June 30	\$ 66,500	\$ 66,500	\$ 66,339	\$ (161)

CITY OF BANNING

Schedule 3S

**BUDGETARY COMPARISON SCHEDULE
WILSON MEDIAN IMPROVEMENT
YEAR ENDED JUNE 30, 2003**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ 304,156	\$ 304,156	\$ 304,156	\$ -
Resources (Inflows):				
Use of money and property	7,500	7,500	6,267	(1,233)
Amounts Available for Appropriation	311,656	311,656	310,423	(1,233)
Budgetary Fund Balance, June 30	\$ 311,656	\$ 311,656	\$ 310,423	\$ (1,233)

CITY OF BANNING

Schedule 3T

**BUDGETARY COMPARISON SCHEDULE
ANIMAL CONTROL RESERVE
YEAR ENDED JUNE 30, 2003**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 11,127	\$ 11,127	\$ 11,127	\$ -
Resources (Inflows):				
Use of money and property	200	200	229	29
Amounts Available for Appropriation	11,327	11,327	11,356	29
Charges to Appropriation (Outflow):				
Public safety	4,000	4,000	-	4,000
Total Charges to Appropriations	4,000	4,000	-	4,000
Budgetary Fund Balance, June 30	\$ 7,327	\$ 7,327	\$ 11,356	\$ 4,029

CITY OF BANNING

Schedule 3U

**BUDGETARY COMPARISON SCHEDULE
LOW AND MODERATE INCOME HOUSING
YEAR ENDED JUNE 30, 2003**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 482,948	\$ 482,948	\$ 482,948	\$ -
Resources (Inflows):				
Use of money and property	5,500	7,000	9,122	2,122
Other	1,920	9,370	8,788	(582)
Transfers from other funds	178,420	175,169	181,568	6,399
Amounts Available for Appropriation	668,788	674,487	682,426	7,939
Charges to Appropriation (Outflow):				
General government	134,353	336,626	72,954	263,672
Transfers to other funds	68,727	68,727	68,727	-
Total Charges to Appropriations	203,080	405,353	141,681	263,672
Budgetary Fund Balance, June 30	\$ 465,708	\$ 269,134	\$ 540,745	\$ 271,611

CITY OF BANNING

Schedule 4A

**BUDGETARY COMPARISON SCHEDULE
POLICE FACILITIES DEVELOPMENT
YEAR ENDED JUNE 30, 2003**

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 173,449	\$ 173,449	\$ 173,449	\$ -
Resources (Inflows):				
Use of money and property	3,000	3,000	5,708	2,708
Other	50,975	169,660	207,888	38,228
Amounts Available for Appropriation	227,424	346,109	387,045	40,936
Budgetary Fund Balance, June 30	\$ 227,424	\$ 346,109	\$ 387,045	\$ 40,936

CITY OF BANNING

Schedule 4B

**BUDGETARY COMPARISON SCHEDULE
FIRE FACILITIES DEVELOPMENT
YEAR ENDED JUNE 30, 2003**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (152,314)	\$ (152,314)	\$ (152,314)	\$ -
Resources (Inflows):				
Use of money and property	1,000	1,000	4,567	3,567
Other	184,637	463,403	520,390	56,987
Amounts Available for Appropriation	33,323	312,089	372,643	60,554
Charges to Appropriation (Outflow):				
Public safety	117,966	312,403	8,977	303,426
Total Charges to Appropriations	117,966	312,403	8,977	303,426
Budgetary Fund Balance, June 30	\$ (84,643)	\$ (314)	\$ 363,666	\$ 363,980

**BUDGETARY COMPARISON SCHEDULE
TRAFFIC CONTROL FACILITIES
YEAR ENDED JUNE 30, 2003**

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 171,548	\$ 171,548	\$ 171,548	\$ -
Resources (Inflows):				
Use of money and property	4,000	4,000	4,454	454
Other	28,560	76,509	95,673	19,164
Amounts Available for Appropriation	204,108	252,057	271,675	19,618
Budgetary Fund Balance, June 30	\$ 204,108	\$ 252,057	\$ 271,675	\$ 19,618

CITY OF BANNING

Schedule 4D

**BUDGETARY COMPARISON SCHEDULE
GENERAL FACILITIES
YEAR ENDED JUNE 30, 2003**

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 167,826	\$ 167,826	\$ 167,826	\$ -
Resources (Inflows):				
Use of money and property	3,500	3,500	4,369	869
Other	28,560	75,856	95,029	19,173
Amounts Available for Appropriation	199,886	247,182	267,224	20,042
Budgetary Fund Balance, June 30	\$ 199,886	\$ 247,182	\$ 267,224	\$ 20,042

**BUDGETARY COMPARISON SCHEDULE
PARK DEVELOPMENT
YEAR ENDED JUNE 30, 2003**

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 126,803	\$ 126,803	\$ 126,803	\$ -
Resources (Inflows):				
Use of money and property	2,000	2,000	6,524	4,524
Other	121,170	282,975	352,171	69,196
Amounts Available for Appropriation	249,973	411,778	485,498	73,720
Charges to Appropriation (Outflow):				
Capital outlay	-	42,032	24,754	17,278
Total Charges to Appropriations	-	42,032	24,754	17,278
Budgetary Fund Balance, June 30	\$ 249,973	\$ 369,746	\$ 460,744	\$ 90,998

CITY OF BANNING

Schedule 4F

**BUDGETARY COMPARISON SCHEDULE
REDEVELOPMENT AGENCY
YEAR ENDED JUNE 30, 2003**

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 638,815	\$ 638,815	\$ 638,815	\$ -
Resources (Inflows):				
Use of money and property	9,750	3,250	20,405	17,155
Other	7,910	4,000	4,558	558
Transfers from other funds	316,649	174,921	299,160	124,239
Amounts Available for Appropriation	973,124	820,986	962,938	141,952
Charges to Appropriation (Outflow):				
General government	296,326	310,283	160,282	150,001
Capital outlay	45,000	162,371	44,335	118,036
Total Charges to Appropriations	341,326	472,654	204,617	268,037
Budgetary Fund Balance, June 30	\$ 631,798	\$ 348,332	\$ 758,321	\$ 409,989

**BUDGETARY COMPARISON SCHEDULE
CITY DEBT SERVICE
YEAR ENDED JUNE 30, 2003**

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 557,486	\$ 557,486	\$ 557,486	\$ -
Resources (Inflows):				
Use of money and property	521,800	521,800	521,713	(87)
Amounts Available for Appropriation	1,079,286	1,079,286	1,079,199	(87)
Charges to Appropriation (Outflow):				
General government	6,727	6,727	4,363	2,364
Debt service:				
Principal	200,000	200,000	200,000	-
Interest and fiscal charges	315,073	315,073	315,073	-
Total Charges to Appropriations	521,800	521,800	519,436	2,364
Budgetary Fund Balance, June 30	\$ 557,486	\$ 557,486	\$ 559,763	\$ 2,277

CITY OF BANNING

Schedule 5B

**BUDGETARY COMPARISON SCHEDULE
REDEVELOPMENT AGENCY
YEAR ENDED JUNE 30, 2003**

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 1,282,455	\$ 1,282,455	\$ 1,282,455	\$ -
Resources (Inflows):				
Taxes	880,500	893,950	899,315	5,365
Use of money and property	12,500	12,500	9,603	(2,897)
Other	73,046	73,046	29,831	(43,215)
Transfers from other funds	68,727	68,727	68,727	-
Amounts Available for Appropriation	2,317,228	2,330,678	2,289,931	(40,747)
Charges to Appropriation (Outflow):				
General government	60,699	89,212	31,561	57,651
Debt service:				
Principal	205,000	205,000	205,000	-
Interest and fiscal charges	198,647	198,647	199,843	(1,196)
Pass-through agreement payments	75,358	75,031	74,930	101
Transfers to other funds	495,069	480,333	480,728	(395)
Total Charges to Appropriations	1,034,773	1,048,223	992,062	56,161
Restatements	-	-	(979,562)	(979,562)
Budgetary Fund Balance, June 30	\$ 1,282,455	\$ 1,282,455	\$ 318,307	\$ (964,148)

**COMBINING STATEMENT OF FUND NET ASSETS
NONMAJOR ENTERPRISE FUNDS
JUNE 30, 2003**

	<u>Airport</u>	<u>Transit</u>	<u>Refuse Utility</u>	<u>Totals</u>
Assets:				
Current:				
Cash and investments	\$ 172,735	\$ 173,612	\$ 184,495	\$ 530,842
Receivables:				
Accounts	950	-	243,972	244,922
Interest	575	936	685	2,196
Due from other governments	-	642,365	-	642,365
Inventories	9,983	-	-	9,983
Total Current Assets	184,243	816,913	429,152	1,430,308
Noncurrent:				
Capital assets - net of accumulated depreciation	1,515,878	659,974	-	2,175,852
Total Noncurrent Assets	1,515,878	659,974	-	2,175,852
Total Assets	\$ 1,700,121	\$ 1,476,887	\$ 429,152	\$ 3,606,160
Liabilities and Net Assets:				
Liabilities:				
Current:				
Accounts payable	\$ 1,143	\$ 32	\$ 158,635	\$ 159,810
Accrued payroll payable	572	10,377	226	11,175
Deposits payable	21,764	-	34,356	56,120
Deferred revenue	-	765,861	-	765,861
Due to other funds	-	-	-	-
Bonds, notes and loans payable	-	-	-	-
Total Current Liabilities	23,479	776,270	193,217	992,966
Noncurrent:				
Advances from other funds	286,245	-	-	286,245
Compensated absences	-	40,641	913	41,554
Total Noncurrent Liabilities	286,245	40,641	913	327,799
Total Liabilities	309,724	816,911	194,130	1,320,765
Net Assets:				
Invested in capital assets, net of related debt	1,515,878	659,974	-	2,175,852
Unrestricted	(125,481)	2	235,022	109,543
Total Net Assets	1,390,397	659,976	235,022	2,285,395
Total Liabilities and Net Assets	\$ 1,700,121	\$ 1,476,887	\$ 429,152	\$ 3,606,160

**COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
NONMAJOR ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2003**

	<u>Airport</u>	<u>Transit</u>	<u>Refuse Utility</u>	<u>Totals</u>
Operating Revenues:				
Sales and service charges	\$ 217,056	\$ 104,362	\$ 2,070,158	\$ 2,391,576
Total Operating Revenues	217,056	104,362	2,070,158	2,391,576
Operating Expenses:				
Salaries and benefits	25,042	454,206	10,361	489,609
Supplies and services	117,867	305,447	1,961,616	2,384,930
Repairs and maintenance	6,782	-	-	6,782
Depreciation	72,911	161,818	-	234,729
Total Operating Expenses	222,602	921,471	1,971,977	3,116,050
Operating Income (Loss)	(5,546)	(817,109)	98,181	(724,474)
Nonoperating Revenues (Expenses):				
Taxes	-	631,240	24,583	655,823
Intergovernmental	40,000	50,745	-	90,745
Interest revenue	2,672	2,035	3,074	7,781
Interest expense	(6,599)	-	-	(6,599)
Miscellaneous	-	20,604	1,746	22,350
Total Nonoperating Revenues (Expenses)	36,073	704,624	29,403	770,100
Income (Loss) Before Transfers	30,527	(112,485)	127,584	45,626
Transfers out	-	-	(55,000)	(55,000)
Changes in Net Assets	30,527	(112,485)	72,584	(9,374)
Net Assets:				
Beginning of Fiscal Year, as originally reported	1,247,039	772,461	162,438	2,181,938
Restatements	112,831	-	-	112,831
Beginning of Fiscal Year, as restated	1,359,870	772,461	162,438	2,294,769
End of Fiscal Year	\$ 1,390,397	\$ 659,976	\$ 235,022	\$ 2,285,395

CITY OF BANNING

Schedule 8

Page 1 of 2

**COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	<u>Airport</u>	<u>Transit</u>	<u>Refuse Utility</u>	<u>Totals</u>
Cash Flows from Operating Activities:				
Cash received from customers and users	\$ 220,694	\$ 104,362	\$ 2,050,315	\$ 2,375,371
Cash received from miscellaneous revenue	41,500	704,732	26,329	772,561
Cash paid to suppliers for goods and services	(126,105)	(317,599)	(1,950,427)	(2,394,131)
Cash paid to employees for services	(24,470)	(447,867)	(10,025)	(482,362)
Net Cash Provided (Used) by Operating Activities	<u>111,619</u>	<u>43,628</u>	<u>116,192</u>	<u>271,439</u>
Cash Flows from Non-Capital Financing Activities:				
Cash transfer to other funds	-	-	(55,000)	(55,000)
Repayment of advances	(25,000)	-	-	(25,000)
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>(25,000)</u>	<u>-</u>	<u>(55,000)</u>	<u>(80,000)</u>
Cash Flows from Capital and Related Financing Activities:				
Purchases, acquisition and construction of capital assets	(9,475)	(49,333)	-	(58,808)
Interest paid on capital debt	(6,599)	-	-	(6,599)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(16,074)</u>	<u>(49,333)</u>	<u>-</u>	<u>(65,407)</u>
Cash Flows from Investing Activities:				
Interest received	2,728	2,532	3,094	8,354
Net Cash Provided (Used) by Investing Activities	<u>2,728</u>	<u>2,532</u>	<u>3,094</u>	<u>8,354</u>
Net Increase (Decrease) in Cash and Cash Equivalents	73,273	(3,173)	64,286	134,386
Cash and Cash Equivalents at Beginning of Year	99,462	176,785	120,209	396,456
Cash and Cash Equivalents at End of Year	<u>\$ 172,735</u>	<u>\$ 173,612</u>	<u>\$ 184,495</u>	<u>\$ 530,842</u>

See Notes to the Financial Statements

CITY OF BANNING

Schedule 8
Page 2 of 2COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	<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)	\$ (5,546)	\$ (817,109)	\$ 98,181	\$ (724,474)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	72,911	161,818	-	234,729
Miscellaneous revenue	40,000	702,589	26,329	768,918
(Increase) decrease in accounts receivable	4,029	-	(24,503)	(20,474)
(Increase) decrease in due from other governments	1,500	(577,013)	-	(575,513)
(Increase) decrease in inventories	(105)	-	-	(105)
(Increase) decrease in prepaid expense	-	-	-	-
Increase (decrease) in accounts payable	(1,351)	(12,151)	11,189	(2,313)
Increase (decrease) in accrued liabilities	572	10,377	226	11,175
Increase (decrease) in deposits payable	(391)	-	4,660	4,269
Increase (decrease) in deferred revenue	-	579,155	-	579,155
Increase (decrease) in compensated absences	-	(4,038)	110	(3,928)
Total Adjustments	117,165	860,737	18,011	995,913
Net Cash Provided (Used) by Operating Activities	\$ 111,619	\$ 43,628	\$ 116,192	\$ 271,439

Schedule of Noncash Transactions:

There were no noncash transactions during the year.

See Notes to Financial Statements

CITY OF BANNING
COMBINING STATEMENT OF NET FUND ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2003

	<u>Self Insurance</u>	<u>Fleet Maintenance</u>	<u>Information Services</u>	<u>Public Works Administration</u>
Assets:				
Current:				
Cash and investments	\$ 1,873,371	\$ 97,088	\$ 82,226	\$ 111,304
Receivables:				
Accounts	8,677	7,988	-	-
Interest	6,953	494	305	547
Loans	-	103	-	1,898
Due from other governments	-	2,476	-	-
Inventories	-	42,592	-	-
Total Current Assets	1,889,001	150,741	82,531	113,749
Noncurrent:				
Capital assets - net of accumulated depreciation	-	390,317	92,970	116,493
Total Assets	\$ 1,889,001	\$ 541,058	\$ 175,501	\$ 230,242
Liabilities and Net Assets:				
Liabilities:				
Current:				
Accounts payable	\$ 21,276	\$ 6,989	\$ 11,348	\$ 42
Accrued liabilities	2,629	4,883	2,123	5,414
Due to other funds	-	-	-	-
Deposits payable	810	-	-	-
Total Current Liabilities	24,715	11,872	13,471	5,456
Noncurrent:				
Compensated absences	41,277	23,488	15,809	99,809
Claims payable	1,158,760	-	-	-
Total Noncurrent Liabilities	1,200,037	23,488	15,809	99,809
Total Liabilities	1,224,752	35,360	29,280	105,265
Net Assets:				
Invested in capital assets, net of related debts	-	390,317	92,970	116,493
Unrestricted	664,249	115,381	53,251	8,484
Total Net Assets	664,249	505,698	146,221	124,977
Total Liabilities and Net Assets	\$ 1,889,001	\$ 541,058	\$ 175,501	\$ 230,242

Schedule 9

Utility Billing Accounting & Collection	Totals
\$ 90,181	\$ 2,254,170
11,946	28,611
486	8,785
4,594	6,595
-	2,476
-	42,592
107,207	2,343,229
72,010	671,790
\$ 179,217	\$ 3,015,019
\$ 146	\$ 39,801
12,290	27,339
-	-
-	810
12,436	67,950
44,520	224,903
-	1,158,760
44,520	1,383,663
56,956	1,451,613
72,010	671,790
50,251	891,616
122,261	1,563,406
\$ 179,217	\$ 3,015,019

CITY OF BANNING

**COMBINING STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2003**

	<u>Self Insurance</u>	<u>Fleet Maintenance</u>	<u>Information Services</u>
Operating Revenues:			
Sales and service charges	\$ 1,179,908	\$ 744,043	\$ 216,500
Total Operating Revenues	1,179,908	744,043	216,500
Operating Expenses:			
Salaries and benefits	132,448	199,171	94,484
Supplies and services	133,986	431,838	63,479
Repairs and maintenance	-	70,572	23,174
Insurance premiums	471,242	-	-
Claims and judgments	649,777	-	-
Depreciation	-	13,432	31,179
Total Operating Expenses	1,387,453	715,013	212,316
Operating Income (Loss)	(207,545)	29,030	4,184
Non-Operating Revenues (Expenses):			
Interest revenue	32,856	2,743	1,465
Miscellaneous	160,704	11,092	5,718
Total Non-Operating Revenues	193,560	13,835	7,183
Change in Net Assets	\$ (13,985)	\$ 42,865	\$ 11,367
Net Assets:			
Beginning of Fiscal Year, as originally reported	\$ 678,234	\$ 461,465	\$ 117,719
Restatements	-	1,368	17,135
Beginning of Fiscal Year, as restated	678,234	462,833	134,854
Change in Net Assets	(13,985)	42,865	11,367
End of Fiscal Year	\$ 664,249	\$ 505,698	\$ 146,221

Schedule 10

Public Works Administration	Utility Billing Accounting & Collection	Totals
\$ 490,500	\$ 850,058	\$ 3,481,009
490,500	850,058	3,481,009
258,880	563,870	1,248,853
248,647	270,640	1,148,590
1,064	22,616	117,426
-	-	471,242
-	-	649,777
24,570	26,991	96,172
533,161	884,117	3,732,060
(42,661)	(34,059)	(251,051)
3,265	1,658	41,987
13,194	27,463	218,171
16,459	29,121	260,158
\$ (26,202)	\$ (4,938)	\$ 9,107
\$ 198,113	\$ 139,873	\$ 1,595,404
(46,934)	(12,674)	(41,105)
151,179	127,199	1,554,299
(26,202)	(4,938)	9,107
\$ 124,977	\$ 122,261	\$ 1,563,406

CITY OF BANNING

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	<u>Self Insurance</u>	<u>Fleet Maintenance</u>	<u>Information Services</u>
Cash Flows from Operating Activities:			
Cash received from interfund service provided	\$ 1,179,908	\$ 744,043	\$ 216,500
Cash received from miscellaneous revenues	152,027	14,450	8,196
Cash paid to suppliers for goods and services	(591,065)	(509,600)	(78,948)
Cash paid to employees for services	(122,339)	(226,535)	(92,081)
Cash paid for claims	(430,483)	-	-
Net Cash Provided (Used) by Operating Activities	<u>188,048</u>	<u>22,358</u>	<u>53,667</u>
Cash Flows from Capital and Related Financing Activities:			
Purchases, acquisition and construction of capital assets	-	(9,417)	(51,143)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>-</u>	<u>(9,417)</u>	<u>(51,143)</u>
Cash Flows from Investing Activities:			
Interest received	35,792	2,727	1,667
Net Cash Provided (Used) by Investing Activities	<u>35,792</u>	<u>2,727</u>	<u>1,667</u>
Net Increase (Decrease) in Cash and Cash Equivalents	223,840	15,668	4,191
Cash and Cash Equivalents at Beginning of Year	1,649,531	81,420	78,035
Cash and Cash Equivalents at End of Year	<u>\$ 1,873,371</u>	<u>\$ 97,088</u>	<u>\$ 82,226</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ (207,545)	\$ 29,030	\$ 4,184
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	-	13,432	31,179
Miscellaneous revenues	160,704	11,092	5,718
(Increase) decrease in accounts receivable	(8,677)	3,356	2,478
(Increase) decrease in loans receivable	-	1,344	-
(Increase) decrease in inventories	-	(4,937)	-
(Increase) decrease in due from other governments	-	(1,342)	-
Increase (decrease) in accounts payable	14,163	(2,253)	7,705
Increase (decrease) in accrued liabilities	2,629	4,883	2,123
Increase (decrease) in compensated absences	7,480	(32,247)	280
Increase (decrease) in claims payable	219,294	-	-
Total Adjustments	<u>395,593</u>	<u>(6,672)</u>	<u>49,483</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 188,048</u>	<u>\$ 22,358</u>	<u>\$ 53,667</u>

Schedule of Noncash Transactions:

There were no noncash transactions during the year.

Schedule 11

Public Works Administration	Accounting & Collection	Totals
\$ 490,500	\$ 850,058	\$ 3,481,009
12,940	31,901	219,514
(254,121)	(306,289)	(1,740,023)
(251,136)	(551,023)	(1,243,114)
-	-	(430,483)
(1,817)	24,647	286,903
-	(15,253)	(75,813)
-	(15,253)	(75,813)
3,458	1,864	45,508
3,458	1,864	45,508
1,641	11,258	256,598
109,663	78,923	1,997,572
\$ 111,304	\$ 90,181	\$ 2,254,170
\$ (42,661)	\$ (34,059)	\$ (251,051)
24,570	26,991	96,172
13,194	27,463	218,171
-	(1,095)	(3,938)
(254)	5,533	6,623
-	-	(4,937)
-	-	(1,342)
(4,410)	(13,033)	2,172
5,414	12,290	27,339
2,330	557	(21,600)
-	-	219,294
40,844	58,706	537,954
\$ (1,817)	\$ 24,647	\$ 286,903

CITY OF BANNING

Schedule 12

**COMBINING BALANCE SHEET
ALL AGENCY FUNDS
JUNE 30, 2003**

	<u>Sun Lake CFD 86-1</u>	<u>Special AD 91-1</u>	<u>Area Police Computer</u>	<u>Totals</u>
Assets:				
Cash and investments	\$ 527,433	\$ 218,822	\$ 47,149	\$ 793,404
Receivables:				
Interest	1,764	628	198	2,590
Due from other governments	12,075	7,943	-	20,018
Restricted assets:				
Cash with fiscal agent	383,552	337,937	-	721,489
Total Assets	<u>\$ 924,824</u>	<u>\$ 565,330</u>	<u>\$ 47,347</u>	<u>\$ 1,537,501</u>
Liabilities:				
Accounts payable	\$ -	\$ 35	\$ 43	\$ 78
Deposits payable	-	8,731	-	8,731
Due to bondholders	924,824	556,564	47,304	1,528,692
Total Liabilities	<u>\$ 924,824</u>	<u>\$ 565,330</u>	<u>\$ 47,347</u>	<u>\$ 1,537,501</u>