

CITY OF BANNING, CALIFORNIA
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

CITY OF BANNING, CALIFORNIA
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF BANNING
 FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

TABLE OF CONTENTS

	<u>Page Number</u>
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Position	19
Statement of Activities	20
Fund Financial Statements:	
Balance Sheet - Governmental Funds	22
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	23
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	24
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	25
Budgetary Comparison Statement - General Fund	26
Statement of Net Position - Proprietary Funds	28
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	30
Statement of Cash Flows - Proprietary Funds	32
Statement of Fiduciary Net Position – Fiduciary Funds	36
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	37
Notes to Financial Statements	39

CITY OF BANNING
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

TABLE OF CONTENTS

	<u>Page Number</u>
COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES	
Combining Balance Sheet - Nonmajor Governmental Funds	76
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	84
 Budgetary Comparison Schedules - Special Revenue Funds	
Gas Tax Street	91
Measure A	92
SB 300 Street	93
Article 3 Sidewalk	94
Community Development Block Grant	95
Landscape Maintenance District	96
AQMD Air Pollution Program	97
Asset Forfeiture	98
Supplemental Law Enforcement	99
Public Safety Sales Tax	100
Special Donations	101
Senior Center Activities	102
Animal Control Reserve	103
Police Volunteer	104
Ramsey/HIGHLAND Home Signal	105
Wilson Median Improvement	106
Riverside County MOU	107
Banning Housing Authority	108
 Budgetary Comparison Schedules - Capital Projects Fund	
Police Facilities Development	109
Fire Facilities Development	110
Traffic Control Facilities	111
General Facilities	112
Park Development	113
Capital Improvement	114
Sunset Grade Separation	115
Combining Statement of Net Position - Nonmajor Proprietary Funds	116
Combining Statement of Revenues, Expenses and Changes in Fund Net Position - Nonmajor Proprietary Funds	117

CITY OF BANNING
FINANCIAL STATEMENTS
JUNE 30, 2013

TABLE OF CONTENTS

	<u>Page Number</u>
Combining Statement of Cash Flows - Nonmajor Proprietary Funds	118
Combining Statement of Net Position - Internal Service Funds	120
Combining Statement of Revenues, Expenses and Changes in Fund Net Position - Internal Service Funds.....	122
Combining Statement of Cash Flows - Internal Service Funds.....	124
Combining Statement of Net Position- All Agency Funds	126
Combining Statement of Changes in Assets and Liabilities - All Agency Funds.....	128

THIS PAGE INTENTIONALLY LEFT BLANK

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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 City of Banning, California, (the City) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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, 2013, and, the respective changes in financial position and, where applicable, cash flows thereof and the respective



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

budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and budgetary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and budgetary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2013 the City adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.



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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads 'Lance, Soll & Lungard, LLP'. The signature is written in a cursive, flowing style.

Brea, California
February 11, 2014

THIS PAGE INTENTIONALLY LEFT BLANK



MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the City of Banning (City) presents this narrative overview and analysis of the financial activities of the City for fiscal year ended June 30, 2013 (FY13). This discussion is intended to provide an introduction to the City's basic financial statements, as well as a financial comparison with the fiscal year ended June 30, 2012 (FY12). The City encourages readers to consider the information presented within this discussion and analysis in conjunction with the City's financial statements. For the purpose of this analysis, calculations are rounded and approximate.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts –

- ❖ Management's Discussion and Analysis (this section),
- ❖ The Basic Financial Statements,
- ❖ The Combining Statements for Non-Major Governmental Funds, Non-Major Enterprise Funds, and Internal Service Funds.

The Basic Financial Statements include two kinds of statements that present different views of the City.

- **Government-Wide Financial Statements** provide both long-term and short-term information about the City's overall financial status in a manner similar to a private-sector business. These statements are further discussed in Section I of this discussion and analysis.
- **Fund Financial Statements** focus on individual parts of the city government and report the City's operations in a more detailed format than the Government-Wide statements. These statements are further discussed in Section II of this discussion and analysis.

This section of the report ties in most closely to the financial information relied upon for managing the budget and the day to day operations of the City

The Fund Financial Statements are divided into three categories:

- *Governmental fund statements* tell how general government services such as police, fire, public works and special revenue funds were financed in the short-term as well as what remains for future spending. The General Fund is reported as a major fund in this section, which also includes the General Fund "Budgetary Comparison Statement".

Additional analysis is provided for the General Fund in Section III of this discussion and analysis.

- *Proprietary fund statements* offer short-term and long-term financial information about the activities the City operates like a business, such as: water, wastewater and electric utility services, airport, and transit.
- *Fiduciary fund statements* provide information about the financial relationships in which the City acts solely as a trustee or agent for the benefit of other governmental units, private organizations, or individuals to whom the resources belong.
- The Notes to the Financial Statements provide additional information that is essential to the full understanding of the data provided in the Government-Wide and Fund Financial Statements.

The Combining Statements provide details about Non-Major Governmental Funds, Non-Major Enterprise Funds, and Internal Service Funds. Within the section for Non-Major Governmental Funds, budgetary comparison schedules are provided for each governmental fund.

I. GOVERNMENT-WIDE FINANCIAL STATEMENTS

REPORTING THE CITY AS A WHOLE

The Government-Wide Financial Statements provide information about the City's overall financial picture from the perspective of all the City's governmental and business-type funds combined together. This form of financial reporting is intended to provide a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

- The **Statement of Net Position** presents information on all of the City's assets and liabilities, with the difference between the two reported as Net Position. This is one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's Net Position may serve as an indicator of whether or not its financial health is improving or deteriorating.
- The **Statement of Activities** presents information on how the City's Net Position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods; (e.g., uncollected taxes or earned but unused vacation leaves, such as compensated absences).

In the Statement of Net Position and the Statement of Activities, the City activities are separated as follows:

- **Governmental Activities** – Most of the City's basic services are reported in this category, including the general administration (city manager, city clerk, finance, etc.), police and fire protection, public works, community development, parks and recreation, and interest on long-term debt. Property taxes, sales tax, transient occupancy tax, user fees, interest

income, franchise fees, state and federal grants, contributions from other agencies, and other revenues fund these activities.

- **Business-Type Activities** – The City charges customers a fee to cover all or most of the cost associated with providing certain services. The City's municipal airport, transit, refuse, electric, water, and wastewater operations are reported in this category.

The Government-Wide Financial Statements include not only the City, but also the Banning Financing Authority, Banning Public Facilities Corporation, and the Banning Utility Authority. These component units, while legally separate from the City, provide services entirely or almost exclusively for the benefit of the City. Therefore, these component units are blended with the City government because of their governance and their financial relationships with the City.

THE CITY AS A WHOLE – FINANCIAL HIGHLIGHTS

This section provides discussion and analysis on the Government Wide Financial Statements. This section of the report provides a summarized analysis of the financial condition of the City, which is different from the fund level budgeting and reporting methods used in the day to day operations.

Table 1 summarizes the Statement of Net Position and provides a comparison with FY12. The focus of the analysis relates to the Changes in Net Position of the City as a whole.

NET POSITION

Net Position represents the difference between the City's resources (total assets) and its obligations (total liabilities). Over time, Net Position may serve as an indication of a government's financial position. The City's Net Position is made-up of three components: Net Investment in Capital Assets (net of related debt), Restricted, and Unrestricted.

Table 1 - Summary of Net Position (In Millions)

	Governmental Activities 2012	Governmental Activities 2013	Business-Type Activities 2012	Business-Type Activities 2013	Government-Wide Totals 2012	Government-Wide Totals 2013	% CHG
Current and other assets	24.16	23.52	85.35	84.41	109.51	107.93	1.4%
Capital assets	94.03	90.56	106.64	106.21	200.67	196.77	1.9%
TOTAL ASSETS	\$ 118.19	\$ 114.08	\$ 191.99	\$ 190.62	\$ 310.18	\$ 304.70	1.8%
Deferred outflows on refunding*	-	-	-	0.41	-	0.41	-
TOTAL DEFERRED OUTFLOWS	\$ -	\$ -	\$ -	\$ 0.41	\$ -	\$ 0.41	-
Long-term liabilities							
outstanding	5.34	5.09	78.37	76.86	83.71	81.95	2.1%
Other liabilities	3.39	3.26	3.92	4.15	7.31	7.41	1.4%
TOTAL LIABILITIES	\$ 8.73	\$ 8.35	\$ 82.29	\$ 81.01	\$ 91.02	\$ 89.36	1.8%
Deferred inflows on refunding*	-	-	-	0.05	-	0.05	-
TOTAL DEFERRED INFLOWS	\$ -	\$ -	\$ -	\$ 0.05	\$ -	\$ 0.05	-
Net Position:							
Net investment in capital assets	92.99	87.92	55.53	53.84	148.52	141.76	4.6%
Restricted for:							
Community Development Projects	4.74	1.67	-	-	4.74	1.67	64.8%
Public Safety	0.53	0.33	-	-	0.53	0.33	37.7%
Parks and Recreation	0.09	0.08	-	-	0.09	0.08	11.1%
Public Works	2.21	2.52	-	-	2.21	2.52	14.0%
Capital Projects	0.38	0.33	21.16	18.25	21.54	18.58	13.7%
Debt Service	-	-	5.42	5.44	5.42	5.44	0.4%
Unrestricted	8.52	12.88	27.59	32.44	36.11	45.32	25.5%
TOTAL NET POSITION	\$ 109.46	\$ 105.73	\$ 109.70	\$ 109.97	\$ 219.16	\$ 215.70	1.6%

Note: Details can be found in the "Statement of Net Position"

*Category did not exist in Fiscal Year 2012

The Total Net Position reflected in Table 1 summarizes the information provided in the Basic Financial Statements – Statement of Net Position. It includes both Changes in Net Position and any Restatements of Net Position. The City's Government-Wide Total Net Position for FY13 is \$215.70 million, with assets of \$304.70 million, deferred outflows of \$415,000, liabilities of \$89.36 million, and deferred inflows of \$50,000.

The net investment in capital assets of \$141.76 million represents 65.72% of the City's Total Net Position. This is a decrease of \$6.76 million from the previous year. Investment in capital assets (e.g., infrastructure, land, structures and improvements, furniture and equipment) for this purpose is reduced by any related debt used to acquire those assets that are still outstanding, and the depreciation on those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported Net of Related Debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate these liabilities.

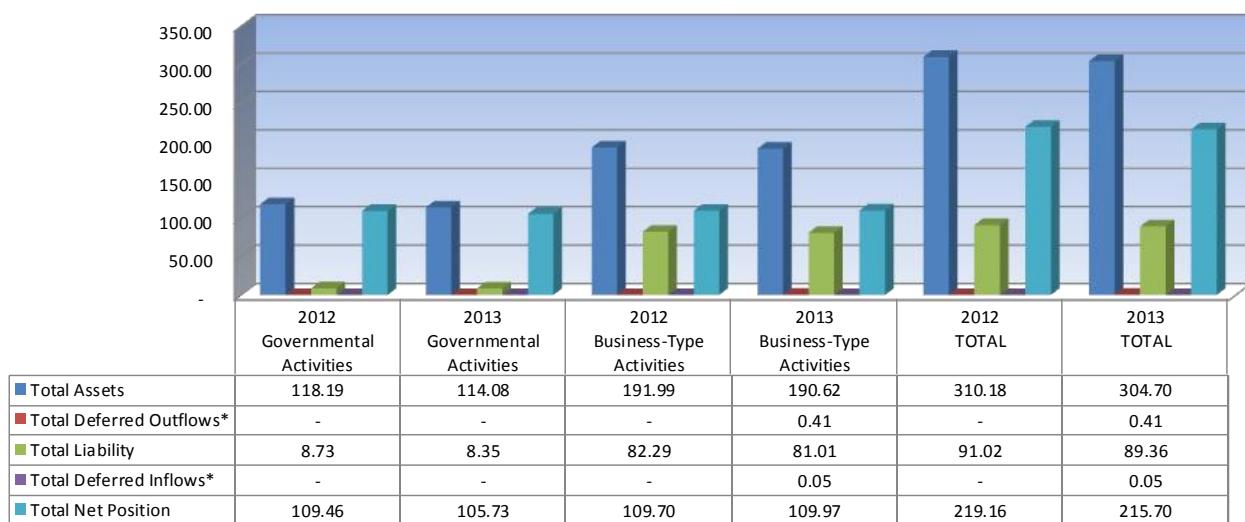
The portion of the City's Net Position subject to external restrictions in how they may be used is \$28.62 million (13.27% of the Total Net Position). The Restricted Net Position includes Community Development Projects, Public Safety, Parks and Recreation, Public Works, Capital Projects, and Debt Service.

The remaining Unrestricted Net Position balance of \$45.32 million (21.01% of the Total Net Position) may be used to meet the government's ongoing obligations to citizens and creditors within the program areas. Of this amount, only \$5.41 million relates to the General Fund, which is discussed in more detail in Section III.

The City's Net Position decreased by \$3.46 million from FY12 to FY13. Approximately \$1.78 million of this change reflects a restatement due to implementing the reporting requirements of GASB 63 & 65, as well as a change in asset depreciation. The remainder reflects the change in revenues & expenses

Chart 1 – provides a visual summary of the information presented in Table 1.

Chart 1 – Net Position



Note: Details can be found in the "Statement of Net Position"

**Category did not exist in Fiscal Year 2012*

CHANGES IN NET POSITION

Table 2 summarizes the information on the Statement of Activity using a different layout in order to facilitate providing a two year comparison of the Governmental and Business-Type Activities. Under Governmental Activities, the City's Net Position decreased by \$4.38 million before \$728,000 in transfers from the Business-Type Activities. The result was a decrease in net position of \$3.66 million. Under Business-Type Activities the City's Net Position increased by \$2.83 million before the \$728,000 in transfers to the Governmental Activities; resulting in an increase in net position of \$2.05 million.

Table 2 - Statement of Activities (In Millions)

	Governmental Activities		Business-Type Activities		Government-Wide Totals	
	2012	2013	2012	2013	2012	2013
Revenues						
Program Revenues:						
Charges for Services	4.12	4.19	43.72	46.64	47.83	50.83
Operating Contributions and Grants	1.79	1.82	1.71	1.24	3.49	3.06
Capital Contributions and Grants	0.98	1.80	-	-	0.98	1.80
Subtotal Program Revenues	6.89	7.80	45.42	47.88	52.31	55.68
General Revenues:						
Property Taxes	5.57	3.76	-	-	5.57	3.76
Sales Taxes	3.00	3.20	-	-	3.00	3.20
Business Licenses Taxes	0.16	0.16	-	-	0.16	0.16
Franchise Taxes	0.82	0.81	-	-	0.82	0.81
Transient Occupancy Taxes	0.59	0.63	-	-	0.59	0.63
Other Taxes	0.21	0.23	-	-	0.21	0.23
Motor Vehicle In-Lieu	0.08	0.03	-	-	0.08	0.03
Use of Money and Property	0.57	0.47	0.23	0.07	0.80	0.54
Other	0.70	0.88	2.07	0.30	2.77	1.18
Gain on sale of capital asset	-	0.00	0.00	0.01	0.00	0.01
Subtotal General Revenues	11.69	10.18	2.31	0.39	13.99	10.56
TOTAL REVENUES	18.57	17.97	47.73	48.27	66.30	66.24
Expenses						
General Government	3.03	4.31	-	-	3.03	4.31
Public Safety	11.80	10.29	-	-	11.80	10.29
Community Development	0.29	0.13	-	-	0.29	0.13
Parks and Recreation	1.10	1.03	-	-	1.10	1.03
Public Works	6.85	6.50	-	-	6.85	6.50
Interest on Long-term debt	1.26	0.11	-	-	1.26	0.11
Airport	-	-	0.45	0.39	0.45	0.39
Transit	-	-	1.52	1.48	1.52	1.48
Electric Utility	-	-	29.46	30.04	29.46	30.04
BUA Water	-	-	7.79	7.74	7.79	7.74
BUA Wastewater	-	-	3.14	2.95	3.14	2.95
Refuse	-	-	3.05	2.89	3.05	2.89
TOTAL EXPENSES	24.33	22.36	45.40	45.49	69.73	67.84
Increase/(Decrease) in Net Assets						
Before Transfers and Extraordinary						
Items	(5.75)	(4.38)	2.32	2.78	(3.43)	(1.60)
Transfers	0.29	0.73	(0.29)	(0.73)	-	-
Extraordinary Gain on Dissolution of Redevelopment Agency	2.83	-	-	-	2.83	-
Increase/(Decrease) in Net Assets	(2.64)	(3.66)	2.04	2.05	(0.60)	(1.60)
Net Position at Beginning of Year	105.10	109.46	114.66	109.70	219.76	219.16
Restatement of Net Position	7.00	(0.07)	(7.00)	(1.78)	-	(1.85)
Net Position at End of Year	109.46	105.73	109.70	109.97	219.16	215.70

Note: Details can be found in the "Statement of Activities"

REVENUES – CITY WIDE

The total Government-Wide Activity revenues (Table 2) for FY13 were \$66.24 million, of which \$17.97 million is from Governmental Activities, and \$48.27 million is from Business-Type Activities. Compared to FY12, total revenues decreased \$60,000 from \$66.30 million.

Overall, Table 2 shows that Total Revenues for Governmental Activities have decreased \$600,000, a decrease of 3.23% over FY12. Property Taxes, which are considered General Revenues, are the largest revenue at \$3.76 million. This revenue category experienced a decrease of \$1.81 million from the prior year of \$5.57 million, or 32.50%, primarily due to AB 1X 26 reporting methods which changed midyear FY12 for Redevelopment Agencies. In FY12 there was approximately \$1.90 million in property tax revenues now reported in the Successor Agency Trust Fund. Sales taxes increased by \$200,000, an increase of 6.8% mainly due to a sales tax backfill increase of \$190,000 (The backfill is part of the Triple Flip program implemented by the State that allows the State to keep certain sales tax dollars in the State coffers for a longer period of time thus benefiting the State with the interest earnings and cash flow). There was also an increase in sales tax revenue of \$100,000 from the Cabazon outlets.

Business-Type Activity shows an overall improvement in Total Revenues of \$540,000, a 1.13% increase; primarily related to the area of Charges for Services, which had an increase of \$2.92 million over FY12. While Charges for Services had a significant increase, General Revenues experienced a decrease of \$1.92 million in addition to Operating Contributions and Grants, experiencing a decrease of \$470,000. Further information is available on Table 4 showing the functions (programs) that are business-type activities.

EXPENSES – CITY WIDE

The Government-Wide expenses totaled \$67.84 million, a decrease of 2.71% over FY12 (see Table 2). The Governmental Activities totaled \$22.36 million, or 32.95% of total expenses. Governmental Activities are grouped by functional activity. General Government includes Administration, Building & Safety, City Clerk, City Treasurer, Engineering, Finance, Human Resources, Human Resources, Planning, and Public Works. Public Safety includes Police and Fire services. Community Development is the Housing Authority.

Business-Type Activities totaled \$45.49 million, accounting for 67.05% of total expenses with an increase of 0.20% over FY12. Business-Type Activities are also grouped by functional activity. These typically represent activities performed in exchange for a fee. The functional activities are Airport, Transit, Electric Utility, Water, Wastewater, and Refuse.

GOVERNMENTAL ACTIVITIES

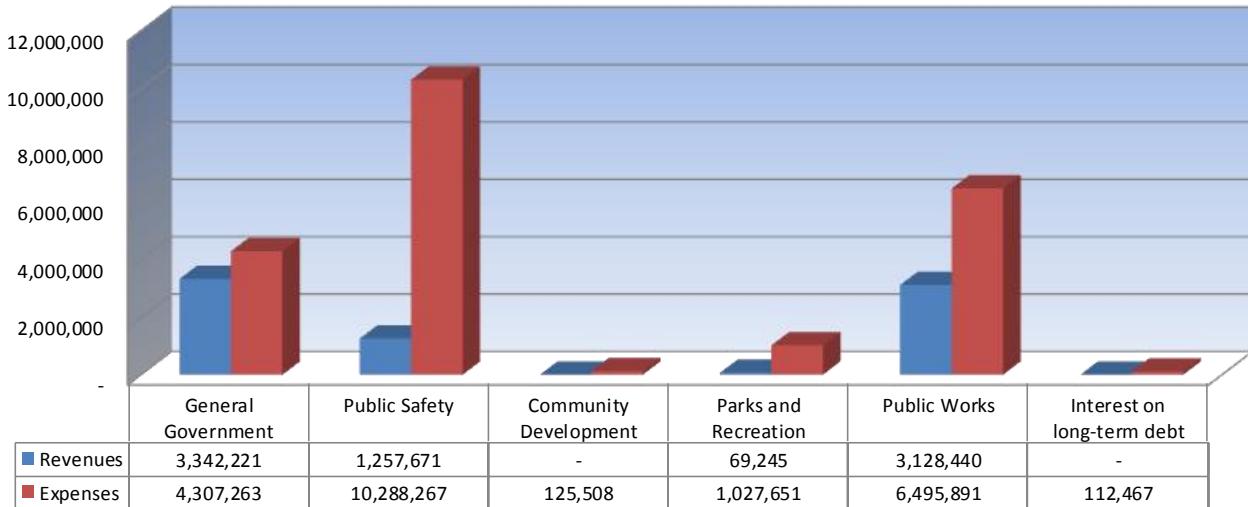
Table 3 and Chart 2 focus on the information on the Statement of Activity that relates to Governmental Activities. Most of the City's basic services are classified as Governmental Activities. Governmental Activities are financed by Taxes, Revenues from Other Government Agencies, State/Federal Grants, and Charges for Services. The following represents the cost of each of the City's five largest programs – General Government, Public Safety, Community Development, Parks and Recreation, Public Works, and Interest on Long-Term Debt – as well as each program's *net* cost (total cost less revenues generated by the activities). The Net Revenues (Expenses) show the financial burden that was placed on the City's taxpayers by each of these functions (see Table 3).

Table 3 - Program Net Cost: Government Activities

	Program Revenues			Total Cost of Services			Net Revenues (Expenses)		
	2012	2013	% Chg	2012	2013	% Chg	2012	2013	% Chg
General Government	3,223,489	3,342,221	4%	3,034,127	4,307,263	42%	189,362	(965,042)	610%
Public Safety	1,260,925	1,257,671	0%	11,800,803	10,288,267	13%	(10,539,878)	(9,030,596)	14%
Community Development	-	-	-	287,345	125,508	56%	(287,345)	(125,508)	56%
Parks and Recreation	88,475	69,245	22%	1,097,992	1,027,651	6%	(1,009,517)	(958,406)	5%
Public Works	2,312,767	3,128,440	35%	6,849,156	6,495,891	5%	(4,536,389)	(3,367,451)	26%
Interest on long-term debt	-	-	-	1,256,285	112,467	91%	(1,256,285)	(112,467)	91%
Government Subtotal	6,885,656	7,797,577	13%	24,325,708	22,357,047	8%	(17,440,052)	(14,559,470)	17%
General Revenues*	11,689,165	10,175,610	13%	-	-	-	11,689,165	10,175,610	13%
Transfers	287,171	727,352	153%	-	-	-	287,171	727,352	153%
SUBTOTAL	18,861,992	18,700,539	1%	24,325,708	22,357,047	8%	(5,463,716)	(3,656,508)	33%
Extraordinary Gain/(loss) on dissolution of redevelopment agency	2,828,520	-	-	-	-	-	2,828,520	-	-
TOTAL	21,690,512	18,700,539	14%	24,325,708	22,357,047	8%	(2,635,196)	(3,656,508)	39%

*Less revenue and expense from extraordinary gain/(loss) on dissolution of redevelopment agency

Chart 2 – Governmental Activities Program Revenue & Expenses



Note: Details can be found in the "Statement of Activities"

BUSINESS-TYPE ACTIVITIES

Table 4 and Chart 3 focus on the information on the Statement of Activity that relates to Business-type Activities. Certain services provided by the City are funded by customer fees. The following represents the cost of each of the City's six programs - Airport, Transit, BUA Water Utility, Electric Utility, BUA Wastewater Utility, and Refuse Utility - as well as each program's *net cost* (total cost less revenues generated by the activities).

Airport activities show negative net revenues in 2013 due to depreciation and operating expenses. ☀ Transit activities show negative net revenues due to depreciation expenses. Typically the revenues received from fares are insufficient to cover operations; however, the remainder of the operating revenues is received from Riverside County Transportation Commission (RCTC) and is reflected in the General Revenues line item. ☀ Water utility activities reflect positive net revenues for both 2012 and 2013. ☀ Electric utility activities reflect negative net revenues for both 2012 and 2013. These are due primarily to increases in operating costs at the San Juan plant and regulatory mandates. For FY14, rate increases were approved by Council to address these ongoing operational impacts. ☀ Wastewater Utility activities and Refuse utility activities reflect negative net revenues

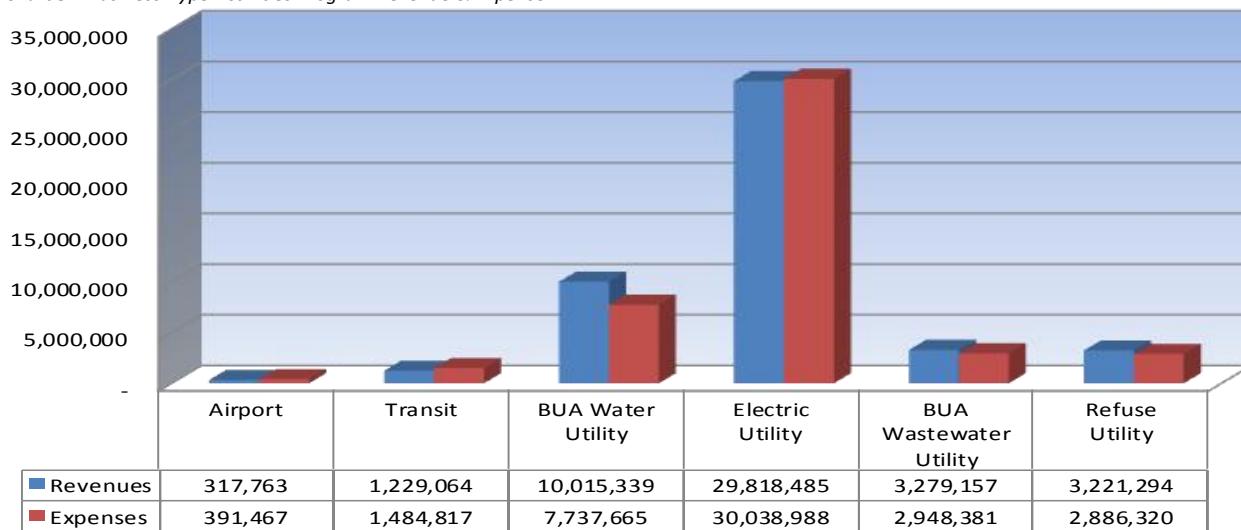
for 2012 and positive net revenues for 2013. A combination of improved revenues and deferred costs resulted in the positive net revenues for 2013.

Table 4 - Program Net Cost: Business-Type Activities

	Program Revenues			Total Cost of Services			Net Revenues (Expenses)		
	2012	2013	% Chg	2012	2013	% Chg	2012	2013	% Chg
Airport	525,459	317,763	40%	447,969	391,467	13%	77,490	(73,704)	195%
Transit	1,366,802	1,229,064	10%	1,516,885	1,484,817	2%	(150,083)	(255,753)	70%
BUA Water Utility	9,337,026	10,015,339	7%	7,792,219	7,737,665	1%	1,544,807	2,277,674	47%
Electric Utility	28,141,491	29,818,485	6%	29,459,756	30,038,988	2%	(1,318,265)	(220,503)	83%
BUA Wastewater Utility	3,029,966	3,279,157	8%	3,137,404	2,948,381	6%	(107,438)	330,776	408%
Refuse Utility	3,020,802	3,221,294	7%	3,048,211	2,886,320	5%	(27,409)	334,974	1322%
Business Subtotal	45,421,546	47,881,102	5%	45,402,444	45,487,638	0%	19,102	2,393,464	12430%
General Revenues	2,305,790	385,624	83%	-	-	-	2,305,790	385,624	83%
Transfers	(287,171)	(727,352)	153%	-	-	-	(287,171)	(727,352)	153%
TOTAL	47,727,336	48,266,726	1%	45,402,444	45,487,638	0%	47,727,336	48,266,726	1%

Note: Details can be found in the "Statement of Activities"

Chart 3 – Business-Type Activities Program Revenue & Expense



Note: Details can be found in the "Statement of Activities"

II. FUND FINANCIAL STATEMENTS

The "Fund Financial Statements" and the "Combining and Individual Fund Statements and Schedules" provide detailed information about the City's funds. The focus of the fund statements relates more closely to the information used for managing the budget and day to day operations.

A fund is an accounting entity with a self-balancing set of accounts that the City uses to keep track of resources that have been segregated for specific activities or objectives. In addition, while some funds are required to be established by State law and by bond covenants, management has also established other funds to help control and manage money for particular purposes or to show that the legal responsibilities for using certain taxes, grants, and other resources are being met.

The City uses fund accounting to demonstrate and ensure compliance with finance-related legal requirements. The Fund Financial Statements focus on individual parts of the City government, thus

reporting the City's operations in more detail than the Government-Wide statements. The types of Governmental Funds reported by the City include the General Fund, Special Revenue Funds, Capital Project Funds, and Internal Service Funds. Proprietary and Fiduciary Funds are also reported in this section. The fund statements provide information on near-term inflows, outflows and balances of spendable resources. These funds represent the reporting structure of the budget and interim council reports.

GOVERNMENTAL FUNDS

Governmental Funds are used to account for essentially the same functions reported as Governmental Activities in the Government-Wide Financial Statements. However, unlike the Government-Wide Financial Statements, Governmental Fund Financial Statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's short-term financing requirements.

The information in the Governmental Funds statements provides more detail of Governmental Activities reported in the Government-Wide Financial Statements. The Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between Governmental Funds and Governmental Activities.

The City maintains twenty-six individual governmental funds. These funds report financial transactions using the modified accrual accounting method. Information for the City's General Fund is presented separately in the Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances. The General Fund is considered a Major Governmental Fund. Data for the Non-Major Governmental Funds is broken down further to the fund level in the "Combining and Individual Fund Statements and Schedules" that follow the Notes to Financial Statements.

The City adopts an annual appropriated budget which includes the General Fund, Special Revenue Funds, Capital Project Funds, and Debt Service Funds. A budgetary comparison statement has been provided for each of the funds to demonstrate compliance with the budget.

GOVERNMENTAL REVENUES

Table 5 below presents a summary of Governmental Fund Revenues for the fiscal year ended June 30, 2013, with comparative amounts from the prior year. Revenues of Governmental Funds for Fiscal Year 2013 were \$16.99 million, which is a decrease of \$990,000 or 5.52% compared to the previous fiscal year. Miscellaneous revenues increased by \$470,000 primarily attributed to the distribution of \$440,000 of Former Redevelopment Agency assets as part of the State of California Due Diligence review process. The significant reduction in tax revenue is due to the Former Redevelopment Agency revenues now being reported in the Successor Agency Trust Fund, a fiduciary fund.

Table 5 - Comparison of Governmental Revenues

	% of Total		% of Total		\$ Increase / (Decrease)	% Change
	2011-12	Revenues	2012-13	Revenues		
Taxes	10,333,746	57.48%	8,841,406	52.05%	(1,492,340)	14.44%
Licenses & Permits	137,689	0.77%	171,406	1.01%	33,717	24.49%
Intergovernmental	2,812,139	15.64%	2,872,511	16.91%	60,372	2.15%
Charges for Services	3,608,617	20.07%	3,565,636	20.99%	(42,981)	1.19%
Use of Money & Property	536,753	2.99%	487,723	2.87%	(49,030)	9.13%
Fines and Forfeitures	292,192	1.63%	291,465	1.72%	(727)	0.25%
Contributions*	-	0.00%	33,115	0.19%	33,115	-
Miscellaneous	257,406	1.43%	723,618	4.26%	466,212	181.12%
TOTAL	17,978,542	100.00%	16,986,880	100.00%	(991,662)	5.52%

*Category did not exist in fiscal year 2012

Note: Details can be found in the "Statement of Revenues, Expenditures and Changes in Fund Balances"

GOVERNMENTAL EXPENDITURES

Total expenditures for Fiscal Year 2013 were \$19.25 million, a decrease of \$3.22 million or 14.34% from the prior year. The major reductions in expenditures include decreases in Public Safety of \$920,000, Capital Outlay of \$920,000 and in Debt Service of \$2.74 million. The Capital Outlay and the Debt Service relate primarily to the changes in reporting required by the elimination of the Banning Community Redevelopment Agency. Successor Agency activity is now reported as a Fiduciary Fund.

Table 6 - Comparison of Governmental Expenditures

	% of Total		% of Total		\$ Increase / (Decrease)	% Change
	2011-12	Expenditures	2012-13	Expenditures		
General Government	2,668,160	11.87%	4,095,480	21.28%	1,427,320	53.49%
Public Safety	10,295,109	45.82%	9,380,358	48.73%	(914,751)	8.89%
Community Development	287,345	1.28%	136,878	0.71%	(150,467)	52.36%
Parks and Recreation	658,765	2.93%	622,959	3.24%	(35,806)	5.44%
Public Works	2,260,310	10.06%	2,389,687	12.41%	129,377	5.72%
Operating Expenditures	16,169,689	71.96%	16,625,362	86.37%	455,673	2.82%
Capital Outlay	3,126,606	13.91%	2,188,248	11.37%	(938,358)	30.01%
Debt Service	3,174,486	14.13%	435,787	2.26%	(2,738,699)	86.27%
TOTAL	22,470,781	100.00%	19,249,397	100.00%	(3,221,384)	14.34%

Note: Details can be found in the "Statement of Revenues, Expenditures and Changes in Fund Balances"

PROPRIETARY FUNDS

When the City charges customers for the services it provides, these services are generally reported in Proprietary Funds. Proprietary Funds and Financial Statements, like the Government-Wide Financial Statements, provide both long-term and short-term financial information.

- **Enterprise Funds** are used to report the same functions presented as Business-Type Activities in the Government-Wide Financial Statements.
- **Internal Service Funds** report activities that provide services for the City's other programs and activities such as the City's Self Insurance, Fleet Maintenance, Information Systems and Utility Billing Services.

FIDUCIARY FUNDS

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

The Fiduciary Funds now include all of the funds related to the Successor Agency of the Former Redevelopment Agency, which was formed upon dissolution of the Banning Community Redevelopment Agency (CRA). The Successor Agency is subject to the control of the newly established oversight board and can only pay enforceable obligations in existence at the date of dissolution. Furthermore, it will hold the remaining assets of the former Redevelopment Agency until the enforceable obligations are legally satisfied or they are distributed to local taxing entities. Additional information on the dissolution of the CRA can be found in the Footnotes To The Financial Statements (Note 17).

III. FINANCIAL ANALYSIS OF THE GENERAL FUND

The City Council committed \$3.34 million as an emergency contingency in the General Fund. Funds classified as Nonspendable total \$3,000 for loans receivable. Funds classified as Assigned total \$2.07 million for capital projects, public safety, public works, debt service, general government, future compensated absences, litigation contingency, gas tax commitment, police reward, SB1186 Disability Access and PEG. Any remaining fund balance is identified as Unassigned. The terminology and presentation of fund balance has changed with the implementation of GASB 54.

GENERAL FUND – REVENUE AND EXPENDITURE ANALYSIS

For Fiscal Year 2013, General Fund revenues were \$15.49 million. Table 7 shows an increase of \$1.83 million of which \$1.01 million is a result of police grants and \$410,000 from the Former Redevelopment Agency distribution of assets. Transfers In showed a net decrease of \$261,427 due to a change in recording. The revenues which were previously recorded in the Public Safety Sales Tax Fund and transferred to the General Fund are now recorded directly to the General Fund. Property taxes have shown an increase for FY13 compared to FY12. There were improvements in Sales Tax, Miscellaneous, and Intergovernmental revenues, resulting in a combined increase of \$1.93 million over the prior fiscal year.

Table 7 - General Fund Revenues

	2010-11	2011-12	2012-13	% of Total	\$ Increase / (Decrease) to Last Year	% Change
Property Tax	3,852,014	3,681,435	3,794,362	24.49%	112,927	3.07%
Sales Tax	2,130,506	2,291,515	2,738,500	17.68%	446,985	19.51%
Transient Occupancy Tax	506,074	586,083	626,255	4.04%	40,172	6.85%
Franchise	800,346	819,203	813,682	5.25%	(5,521)	0.67%
Other Taxes	358,093	240,891	258,282	1.67%	17,391	7.22%
License & Permits	162,683	137,689	171,406	1.11%	33,717	24.49%
Intergovernmental	1,301,881	315,724	1,265,573	8.17%	949,849	300.85%
Charges for Services	2,982,831	3,608,457	3,565,536	23.02%	(42,921)	1.19%
Use of Money & Property	99,147	482,199	482,732	3.12%	533	0.11%
Fines & Forfeitures	404,274	292,192	291,465	1.88%	(727)	0.25%
Transfers In	7,027,511	1,010,514	749,087	4.84%	(261,427)	25.87%
Contributions*	-	-	13,000	0.08%	13,000	-
Miscellaneous	337,011	191,374	720,708	4.65%	529,334	276.60%
Refunding Debt Issued	3,455,000	-	-	0.00%	-	-
Gain on disposal of capital assets	-	-	-	0.00%	-	-
TOTALS	23,417,371	13,657,276	15,490,588	100.00%	1,833,312	13.42%

*Category did not exist prior to fiscal year 2013

Note: Details can be found in the "Budgetary Comparison Statement, General Fund"

For Fiscal Year 2013, General Fund expenditures were \$13.58 million. Table 8 shows a net decrease of \$8.66 million of which the Transfers Out line item represents the largest amount. The Public Safety line item shows a net decrease of over \$916,000 primarily related to reduced Public Safety grant expenditures and \$160,000 in Fire suppression costs.

Table 8 - General Fund Expenditures

	2010-11	2011-12	2012-13	% of Total	\$ Increase / (Decrease) to Last Year	% Change
General Government	2,074,266	1,815,990	2,273,136	16.74%	457,146	25.17%
Public Safety	9,048,645	9,735,506	8,818,847	64.93%	(916,659)	9.42%
Parks and Recreation	592,552	628,153	595,189	4.38%	(32,964)	5.25%
Public Works	996,291	1,264,178	1,156,102	8.51%	(108,076)	8.55%
Capital Outlay	338,834	252,322	138,014	1.02%	(114,308)	45.30%
Debt Service	9,916	435,545	435,787	3.21%	242	0.06%
Transfers Out	3,358,287	8,108,616	164,325	1.21%	(7,944,291)	97.97%
Refunding Debt Issued costs	78,726	-	-	-	-	-
TOTALS	16,497,517	22,240,310	13,581,400	100.00%	(8,658,910)	38.93%

Note: Details can be found in the "Budgetary Comparison Statement, General Fund"

GENERAL FUND BUDGETARY HIGHLIGHTS

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

For the City's General Fund, actual ending revenues of \$15.49 million were \$280,000 greater than the final budgeted revenues of \$15.21 million. The most significant variance was in Miscellaneous revenues. In this category, the City budgeted a total of \$1.29 million, and the actual was \$1.48 million, primarily as a result of the distribution of assets of the Former Redevelopment Agency.

The General Fund actual ending expenditures of \$13.58 million were \$736,000 less than the final budget of \$14.32 million. The City's General Fund showed a net increase in fund balance of \$1.91 million as a result of improved revenues and reduced expenditures. Some variances were related to contract or professional services where actual costs came in less than budget in Fire, Personnel, and Planning. The most significant variances shown in Capital Outlay are the result of projects and grants in progress. Many of these remaining balances have been carried forward to FY14 as continuing appropriations so that the projects can be completed.

IV. CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

The City's investment in capital assets (Table 9) for its Governmental and Business-Type Activities as of June 30, 2013, is \$196.77 million (net of accumulated depreciation). This investment in capital assets includes land, structures and improvements, furniture and equipment, infrastructure and construction in progress. For more information, please refer to Note 5 in the Notes to the Financial Statements. The Capital Assets of the City are those assets which are used in the performance of the City's functions including infrastructure assets. Depreciation on capital assets is recognized in the Government-Wide Financial Statements.

Table 9 - Capital Assets by Activity

	Governmental Activities			Business-Type Activities			Totals		
	2012	2013	% Chg	2012	2013	% Chg	2012	2013	% Chg
Land	3,061,900	3,061,900	0%	1,184,229	1,184,229	0%	4,246,129	4,246,129	0%
Construction in Progress	3,270,346	4,458,362	36%	2,959,632	4,832,466	63%	6,229,978	9,290,828	49%
Building and Structures	14,701,953	13,763,972	6%	132,992	122,848	8%	14,834,945	13,886,820	6%
Land Improvements	3,937,379	4,093,848	4%	1,684,458	1,944,637	15%	5,621,837	6,038,485	7%
Machinery and Equipment	1,486,962	1,345,750	9%	1,308	(3)	100%	1,488,270	1,345,747	10%
Vehicles	365,123	342,579	6%	-	-	-	365,123	342,579	6%
Utility Plant	-	-	-	100,672,007	98,127,777	3%	100,672,007	98,127,777	3%
Infrastructure	67,204,390	63,492,917	6%	-	-	-	67,204,390	63,492,917	6%
TOTAL	94,028,053	90,559,328	4%	106,634,626	106,211,954	0%	200,662,679	196,771,282	2%

Note: Details can be found in "Note 5 (Changes in Capital Assets)"

DEBT

At year-end, the City's Governmental Activities had \$5.10 million in Compensated Absences, Claims and Judgments, and leases outstanding, while the Business-Type Activities had \$75.35 million in debt. Table 10 below is a summary of the City's long-term debt for the year ended June 30, 2013. The Redevelopment Tax Allocation Bonds and other loans are no longer reported as a Governmental Activity. For additional information on the Redevelopment Tax Allocation bonds, refer to Note 17 of the notes to the Financial Statements.

Debt in the Business-Type Activities consists of Water and Wastewater Revenue Bonds, Electric Revenue Bonds, a loan payable to the California Water Resources Control Board and Compensated Absences. For additional information on long-term debt refer to the Note 9 of the Notes to the Financial Statements.

Table 10 - Debt Recap

	Governmental Activities			Business-Type Activities			Totals		
	2012	2013	% Chg	2012	2013	% Chg	2012	2013	% Chg
Compensated Absences	1,272,510	1,348,827	6%	675,586	788,095	17%	1,948,096	2,136,922	10%
Refunding Lease	3,147,156	2,826,192	10%	-	-	-	3,147,156	2,826,192	10%
Revenue Bonds	-	-	-	74,115,000	72,385,000	2%	74,115,000	72,385,000	2%
Claims & Judgements	917,420	919,981	0%	-	-	-	917,420	919,981	0%
Loans	-	-	-	2,414,042	2,172,519	10%	2,414,042	2,172,519	10%
TOTAL	5,337,086	5,095,000	5%	77,204,628	75,345,614	2%	82,541,714	80,440,614	3%

Note: Details can be found in the "Notes to Financial Statements"

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

STATEMENT OF NET POSITION
JUNE 30, 2013

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and investments	\$ 16,460,058	\$ 48,657,763	\$ 65,117,821
Receivables:			
Accounts	506,336	6,869,093	7,375,429
Loans	1,154,013	10,492	1,164,505
Interest	7,029	21,276	28,305
Internal balances	(833,367)	833,367	-
Deposits	-	1,032,422	1,032,422
Due from other governments	5,503,625	77,033	5,580,658
Inventories	65,197	1,863,687	1,928,884
Restricted assets:			
Cash and investments	-	1,347,092	1,347,092
Cash with fiscal agent	657,479	23,697,428	24,354,907
Capital assets not being depreciated	7,520,262	6,016,695	13,536,957
Capital assets, net of depreciation	83,039,066	100,195,259	183,234,325
Total Assets	114,079,698	190,621,607	304,701,305
Deferred Outflows of Resources:			
Deferred charge on refunding	-	415,413	415,413
Total Deferred Outflows of Resources	-	415,413	415,413
Liabilities:			
Accounts payable	1,879,998	2,550,362	4,430,360
Accrued liabilities	482,958	130,211	613,169
Accrued interest	17,280	484,057	501,337
Unearned revenue	-	228,118	228,118
Deposits payable	406,477	761,545	1,168,022
Due to other governments	468,551	-	468,551
Noncurrent liabilities:			
Due within one year	1,308,615	2,501,829	3,810,444
Due in more than one year	3,786,386	74,355,743	78,142,129
Total Liabilities	8,350,265	81,011,865	89,362,130
Deferred Inflows of Resources:			
Deferred gain on refunding	-	50,750	50,750
Total Deferred Inflows of Resources	-	50,750	50,750
Net Position:			
Net investment in capital assets	87,922,958	53,839,905	141,762,863
Restricted for:			
Community development projects	1,665,049	-	1,665,049
Public safety	330,789	-	330,789
Parks and recreation	77,639	-	77,639
Public works	2,522,404	-	2,522,404
Capital projects	322,711	18,256,626	18,579,337
Debt service	-	5,440,802	5,440,802
Unrestricted	12,887,883	32,437,072	45,324,955
Total Net Position	\$ 105,729,433	\$ 109,974,405	\$ 215,703,838

CITY OF BANNING

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

	Expenses	Program Revenues			
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	
Functions/Programs					
Primary Government:					
Governmental Activities:					
General government	\$ 4,319,749	\$ 3,312,086	\$ 30,135	\$ -	
Public safety	10,296,130	187,853	1,069,818	-	
Community development	125,508	-	-	-	
Parks and recreation	1,027,651	66,265	2,980	-	
Public works	6,475,542	619,077	713,996	1,795,367	
Interest on long-term debt	112,467	-	-	-	
Total Governmental Activities	22,357,047	4,185,281	1,816,929	1,795,367	
Business-Type Activities:					
Airport	391,467	195,007	122,756	-	
Transit	1,484,817	155,314	1,073,750	-	
Banning Utility Authority Water	7,737,665	10,014,763	576	-	
Electric Utility	30,038,988	29,818,485	-	-	
Banning Utility Authority Wastewater	2,948,381	3,279,157	-	-	
Refuse Utility	2,886,320	3,177,173	44,121	-	
Total Business-Type Activities	45,487,638	46,639,899	1,241,203	-	
Total Primary Government	\$ 67,844,685	\$ 50,825,180	\$ 3,058,132	\$ 1,795,367	
General Revenues:					
Taxes:					
Property taxes, levied for general purpose					
Transient occupancy taxes					
Sales taxes					
Franchise taxes					
Business licenses taxes					
Other taxes					
Motor vehicle in lieu - unrestricted					
Use of money and property					
Other					
Gain on sale of capital asset					
Transfers					
Total General Revenues and Transfers					
Change in Net Position					
Net Position at Beginning of Year					
Restatement of Net Position					
Net Position at End of Year					

Net (Expenses) Revenues and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (977,528)	\$ -	\$ (977,528)
(9,038,459)	-	(9,038,459)
(125,508)	-	(125,508)
(958,406)	-	(958,406)
(3,347,102)	-	(3,347,102)
(112,467)	-	(112,467)
<u>(14,559,470)</u>	<u>-</u>	<u>(14,559,470)</u>
 - (73,704)	 (73,704)	 (73,704)
- (255,753)	- (255,753)	- (255,753)
- 2,277,674	- 2,277,674	- 2,277,674
- (220,503)	- (220,503)	- (220,503)
- 330,776	- 330,776	- 330,776
- 334,974	- 334,974	- 334,974
 <u>- 2,393,464</u>	 <u>2,393,464</u>	 <u>2,393,464</u>
<u>(14,559,470)</u>	<u>2,393,464</u>	<u>(12,166,006)</u>
 3,762,591	 -	 3,762,591
626,255	-	626,255
3,199,845	-	3,199,845
813,682	-	813,682
159,828	-	159,828
231,303	-	231,303
28,160	-	28,160
473,031	68,834	541,865
880,339	304,023	1,184,362
576	12,767	13,343
<u>727,352</u>	<u>(727,352)</u>	<u>-</u>
 <u>10,902,962</u>	 <u>(341,728)</u>	 <u>10,561,234</u>
(3,656,508)	2,051,736	(1,604,772)
109,460,523	109,697,686	219,158,209
<u>(74,582)</u>	<u>(1,775,017)</u>	<u>(1,849,599)</u>
<u>\$ 105,729,433</u>	<u>\$ 109,974,405</u>	<u>\$ 215,703,838</u>

CITY OF BANNING

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Pooled cash and investments	\$ 6,627,221	\$ 5,705,059	\$ 12,332,280
Receivables:			
Accounts	483,849	1,268	485,117
Loans	29,324	1,120,946	1,150,270
Interest	3,864	2,348	6,212
Due from other governments	864,126	4,605,957	5,470,083
Due from other funds	19,300	-	19,300
Restricted assets:			
Cash and investments with fiscal agents	-	657,479	657,479
Total Assets	\$ 8,027,684	\$ 12,093,057	\$ 20,120,741
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable	\$ 745,085	\$ 836,454	\$ 1,581,539
Accrued liabilities	418,675	21,879	440,554
Deposits payable	305,105	100,444	405,549
Due to other governments	468,551	-	468,551
Due to other funds	-	1,555,700	1,555,700
Advances from other funds	394,118	-	394,118
Total Liabilities	2,331,534	2,514,477	4,846,011
Deferred Inflows of Resources:			
Unavailable revenues	258,580	3,167,224	3,425,804
Total Deferred Inflows of Resources	258,580	3,167,224	3,425,804
Fund Balances:			
Nonspendable:			
Loans Receivable	29,324	1,120,946	1,150,270
Restricted for:			
Community development projects	-	1,665,049	1,665,049
Public safety	-	330,789	330,789
Parks and recreation	-	77,639	77,639
Public works	-	2,522,404	2,522,404
Capital Projects	-	322,711	322,711
Committed to:			
Emergency Contingency	3,338,733	-	3,338,733
Assigned to:			
Capital Projects	635,510	-	635,510
Public safety	154,032	-	154,032
Public works	211,658	-	211,658
Capital Projects	-	2,658,303	2,658,303
Debt service	2,563	-	2,563
General government	4,427	-	4,427
Future compensated absences	622,798	-	622,798
Litigation Contingency	179,189	-	179,189
Gas tax commitment	152,675	-	152,675
PEG	80,801	-	80,801
SB1186 Disability Access	860	-	860
Police Reward	25,000	-	25,000
Unassigned	-	(2,286,485)	(2,286,485)
Total Fund Balances	5,437,570	6,411,356	11,848,926
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 8,027,684	\$ 12,093,057	\$ 20,120,741

CITY OF BANNING**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2013**

Fund balances of governmental funds	\$ 11,848,926
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets net of depreciation have not been included as financial resources in governmental fund activity.	90,091,673
Long-term debt and compensated absences that have not been included in the governmental fund activity:	
Bonds payable	\$ (2,826,194)
Compensated Absences	<u>(1,150,696)</u>
	(3,976,890)
Accrued interest payable for the current portion of interest due on Bonds has not been reported in the governmental funds.	(17,280)
Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity.	3,425,804
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 position.	<u>4,357,200</u>
Net Position of governmental activities	<u>\$ 105,729,433</u>

CITY OF BANNING

**STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013**

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 8,231,081	\$ 610,325	\$ 8,841,406
Licenses and permits	171,406	-	171,406
Intergovernmental	1,265,573	1,606,938	2,872,511
Charges for services	3,565,536	100	3,565,636
Use of money and property	482,732	4,991	487,723
Fines and forfeitures	291,465	-	291,465
Contributions	13,000	20,115	33,115
Miscellaneous	720,708	2,910	723,618
Total Revenues	14,741,501	2,245,379	16,986,880
Expenditures:			
Current:			
General government	2,273,136	1,822,344	4,095,480
Public safety	8,818,847	561,511	9,380,358
Community development	-	136,878	136,878
Parks and recreation	595,189	27,770	622,959
Public works	1,156,102	1,233,585	2,389,687
Capital outlay	138,014	2,050,234	2,188,248
Debt service:			
Principal retirement	320,963	-	320,963
Interest and fiscal charges	114,824	-	114,824
Total Expenditures	13,417,075	5,832,322	19,249,397
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,324,426	(3,586,943)	(2,262,517)
Other Financing Sources (Uses):			
Transfers in	749,087	222,521	971,608
Transfers out	(164,325)	(79,931)	(244,256)
Total Other Financing Sources (Uses)	584,762	142,590	727,352
Net Change in Fund Balances	1,909,188	(3,444,353)	(1,535,165)
Fund Balances, Beginning of Year	3,528,382	9,855,709	13,384,091
Fund Balances, End of Year	\$ 5,437,570	\$ 6,411,356	\$ 11,848,926

CITY OF BANNING**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013**

Net change in fund balances - total governmental funds \$ (1,535,165)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay	\$ 2,191,803
Depreciation	(5,603,066)
Disposal, net of accumulated depreciation	<u>(15,781)</u> (3,427,044)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal repayments	320,963
----------------------	---------

Accrued interest for long-term liabilities. This is the net change in accrued interest for the current period.

2,357

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.

(66,152)

Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity.

784,258

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.

264,275

Change in net position of governmental activities \$ (3,656,508)

CITY OF BANNING

BUDGETARY COMPARISON STATEMENT
GENERAL FUND
YEAR ENDED JUNE 30, 2013

	Budget Amounts	Actual Amounts	Variance with Final Budget
	Original	Final	Positive (Negative)
Budgetary Fund Balance, July 1	\$ 3,528,382	\$ 3,528,382	\$ 3,528,382 \$ -
Resources (Inflows):			
Taxes:			
Sales and use	2,550,426	2,719,426	2,738,500 19,074
Property	3,671,094	3,788,444	3,794,362 5,918
Franchise	829,000	835,000	813,682 (21,318)
Transient occupancy	550,000	550,000	626,255 76,255
Other	338,685	246,685	258,282 11,597
Subtotal	<u>7,939,205</u>	<u>8,139,555</u>	<u>8,231,081</u> <u>91,526</u>
Licenses and permits:			
Building permits	57,000	57,000	56,885 (115)
Other permits	58,950	75,950	114,521 38,571
Subtotal	<u>115,950</u>	<u>132,950</u>	<u>171,406</u> <u>38,456</u>
Intergovernmental:			
State motor vehicle in-lieu fees	-	15,365	28,160 12,795
Other intergovernmental revenues	383,996	1,414,160	1,237,413 (176,747)
Subtotal	<u>383,996</u>	<u>1,429,525</u>	<u>1,265,573</u> <u>(163,952)</u>
Charges for services:			
Engineering, police, fire and other fees	405,660	555,264	566,584 11,320
Recreation fees	61,180	61,180	64,291 3,111
Interfund charges	2,814,600	2,855,600	2,934,661 79,061
Subtotal	<u>3,281,440</u>	<u>3,472,044</u>	<u>3,565,536</u> <u>93,492</u>
Use of money and property:			
Interest and rents	517,776	478,927	482,732 3,805
Subtotal	<u>517,776</u>	<u>478,927</u>	<u>482,732</u> <u>3,805</u>
Fines and forfeitures			
Parking fines	9,750	36,000	36,718 718
Court fines and other fines	275,800	229,300	254,747 25,447
Subtotal	<u>285,550</u>	<u>265,300</u>	<u>291,465</u> <u>26,165</u>
Contributions	-	13,000	13,000 -
Miscellaneous	234,565	530,706	720,708 190,002
Transfers in	673,537	748,633	749,087 454
Subtotal	<u>908,102</u>	<u>1,292,339</u>	<u>1,482,795</u> <u>190,456</u>
Total Resources (inflows)	<u>13,432,019</u>	<u>15,210,640</u>	<u>15,490,588</u> <u>279,948</u>
Amounts Available for Appropriation	<u>16,960,401</u>	<u>18,739,022</u>	<u>19,018,970</u> <u>279,948</u>

CITY OF BANNING

BUDGETARY COMPARISON STATEMENT
GENERAL FUND
YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Charges to Appropriation (Outflow):				
General government				
City council	142,710	144,625	131,377	13,248
City manager	342,619	372,938	357,813	15,125
Personnel	151,813	166,649	99,935	66,714
City clerk	89,678	88,307	84,143	4,164
Elections	35,200	35,200	21,356	13,844
City attorney	161,000	316,730	398,486	(81,756)
Finance	261,526	277,870	242,834	35,036
Community enhancement	5,777	13,522	19,788	(6,266)
Central services	832,623	942,228	917,404	24,824
Subtotal	2,022,946	2,358,069	2,273,136	84,933
Public safety				
Police	6,539,397	6,418,104	6,377,362	40,742
Animal control	142,450	116,800	101,898	14,902
Fire	2,432,148	2,448,556	2,339,587	108,969
Dispatch	-	-	-	-
Subtotal	9,113,995	8,983,460	8,818,847	164,613
Parks and recreation				
Parks	304,314	263,629	240,803	22,826
Recreation	327,964	365,152	354,386	10,766
Subtotal	632,278	628,781	595,189	33,592
Public works				
Building safety	422,671	415,133	404,170	10,963
Planning	355,794	581,034	475,485	105,549
Engineering	179,905	228,325	169,291	59,034
Building maintenance	109,081	129,033	107,156	21,877
Subtotal	1,067,451	1,353,525	1,156,102	197,423
Capital outlay	67,023	392,496	138,014	254,482
Debt service:				
Principal retirement	321,696	321,696	320,963	733
Interest and fiscal charges	115,305	115,305	114,824	481
Transfers out	91,325	164,325	164,325	-
Subtotal	595,349	993,822	738,126	255,696
Total Charges to Appropriations	13,432,019	14,317,657	13,581,400	736,257
Budgetary Fund Balance, June 30	\$ 3,528,382	\$ 4,421,365	\$ 5,437,570	\$ 1,016,205

CITY OF BANNING

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

Business-Type Activities - Enterprise Funds					
	Banning Utility Authority Water	Electric Utility	Banning Utility Authority Wastewater		
Assets:					
Current:					
Pooled cash and investments	\$ 11,003,831	\$ 20,405,305	\$ 16,324,325		
Receivables:					
Accounts	1,697,884	4,179,599	483,725		
Loans	3,255	6,138	1,099		
Interest	5,244	8,912	6,721		
Deposits	-	100,085	-		
Due from other governments	-	19,473	-		
Due from other funds	1,536,400	-	-		
Inventories	436,598	1,407,415	-		
Deposits with other agencies	-	932,337	-		
Restricted:					
Cash and investments	-	1,347,092	-		
Cash with fiscal agent	3,640,070	16,690,407	3,366,951		
Total Current Assets	18,323,282	45,096,763	20,182,821		
Noncurrent:					
Advances to other funds	-	394,118	-		
Capital assets - net of accumulated depreciation	49,127,218	38,266,170	15,250,804		
Total Noncurrent Assets	49,127,218	38,660,288	15,250,804		
Total Assets	67,450,500	83,757,051	35,433,625		
Deferred Outflows of Resources:					
Deferred charge on refunding	249,462	-	165,951		
Total Deferred Outflows of Resources	249,462	-	165,951		
Total Assets and Deferred Outflows of Resources	\$ 67,699,962	\$ 83,757,051	\$ 35,599,576		
Liabilities, Deferred Inflow of Resources and Net Position:					
Liabilities:					
Current:					
Accounts payable	\$ 409,566	\$ 1,798,120	\$ 125,501		
Accrued liabilities	30,831	62,836	14,240		
Accrued interest	256,090	148,970	78,997		
Unearned revenues	-	-	-		
Deposits payable	169,338	384,590	90,742		
Compensated absences	109,356	180,615	81,046		
Claims and judgments	-	-	-		
Bonds, notes, and capital leases	770,000	880,000	392,802		
Total Current Liabilities	1,745,181	3,455,131	783,328		
Noncurrent:					
Compensated absences	78,396	129,478	58,101		
Claims and judgments	-	-	-		
Bonds, notes, and capital leases	31,107,055	35,674,773	7,244,847		
Total Noncurrent Liabilities	31,185,451	35,804,251	7,302,948		
Total Liabilities	32,930,632	39,259,382	8,086,276		
Deferred Inflows of Resources:					
Deferred gain on refunding	-	50,750	-		
Total Deferred Inflows of Resources	-	50,750	-		
Net Position:					
Net investment in capital assets	20,890,233	18,401,804	10,980,106		
Restricted for capital projects	944,041	14,018,145	3,294,440		
Restricted for debt service	2,696,029	2,672,262	72,511		
Unrestricted	10,239,027	9,354,708	13,166,243		
Total Net Position	34,769,330	44,446,919	27,513,300		
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 67,699,962	\$ 83,757,051	\$ 35,599,576		

Reconciliation of Net Position to the Statement of Net Position

Net Position per Statement of Net Position - Proprietary Funds

Prior years' accumulated adjustment to reflect the consolidation of internal service funds activities related to the enterprise funds

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

Net Position per Statement of Net Position

CITY OF BANNING

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	Business-Type Activities - Enterprise Funds			Governmental Activities-Internal Service Funds	
	Other Enterprise Funds		Totals		
Assets:					
Current:					
Pooled cash and investments	\$ 924,302	\$ 48,657,763	\$ 4,127,778		
Receivables:					
Accounts	507,885	6,869,093	21,219		
Loans	-	10,492	3,743		
Interest	399	21,276	817		
Deposits	-	100,085	-		
Due from other governments	57,560	77,033	33,542		
Due from other funds	-	1,536,400	-		
Inventories	19,674	1,863,687	65,197		
Deposits with other agencies	-	932,337	-		
Restricted:					
Cash and investments	-	1,347,092	-		
Cash with fiscal agent	-	23,697,428	-		
Total Current Assets	1,509,820	85,112,686	4,252,296		
Noncurrent:					
Advances to other funds	-	394,118	-		
Capital assets - net of accumulated depreciation	3,567,762	106,211,954	467,655		
Total Noncurrent Assets	3,567,762	106,606,072	467,655		
Total Assets	5,077,582	191,718,758	4,719,951		
Deferred Outflows of Resources:					
Deferred charge on refunding	-	415,413	-		
Total Deferred Outflows of Resources	-	415,413	-		
Total Assets and Deferred Outflows of Resources	\$ 5,077,582	\$ 192,134,171	\$ 4,719,951		
Liabilities, Deferred Inflow of Resources and Net Position:					
Liabilities:					
Current:					
Accounts payable	\$ 217,175	\$ 2,550,362	\$ 298,459		
Accrued liabilities	22,304	130,211	42,404		
Accrued interest	-	484,057	-		
Unearned revenues	228,118	228,118	-		
Deposits payable	116,875	761,545	928		
Compensated absences	88,010	459,027	130,698		
Claims and judgments	-	-	281,714		
Bonds, notes, and capital leases	-	2,042,802	-		
Total Current Liabilities	672,482	6,656,122	754,203		
Noncurrent:					
Compensated absences	63,093	329,068	67,432		
Claims and judgments	-	-	638,267		
Bonds, notes, and capital leases	-	74,026,675	-		
Total Noncurrent Liabilities	63,093	74,355,743	705,699		
Total Liabilities	735,575	81,011,865	1,459,902		
Deferred Inflows of Resources:					
Deferred gain on refunding	-	50,750	-		
Total Deferred Inflows of Resources	-	50,750	-		
Net Position:					
Net investment in capital assets	3,567,762	53,839,905	467,655		
Restricted for capital projects	-	18,256,626	-		
Restricted for debt service	-	5,440,802	-		
Unrestricted	774,245	33,534,223	2,792,394		
Total Net Position	4,342,007	111,071,556	3,260,049		
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 5,077,582	\$ 192,134,171	\$ 4,719,951		
		\$ 111,071,556			
		(1,164,466)			
		67,315			
		\$ 109,974,405			

CITY OF BANNING

**STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013**

	Business-Type Activities - Enterprise Funds		
	Banning Utility Authority Water	Electric Utility	Banning Utility Authority Wastewater
Operating Revenues:			
Sales and service charges	\$ 10,014,763	\$ 29,818,485	\$ 3,279,157
Connection fees	1,180	7,155	5,748
Miscellaneous	37,988	-	-
Total Operating Revenues	10,053,931	29,825,640	3,284,905
Operating Expenses:			
Salaries and benefits	1,493,970	2,917,017	641,667
Supplies and services	3,449,751	5,238,296	1,289,195
Repairs and maintenance	17,998	-	50,625
Street lighting costs	-	148,733	-
Power purchased	-	18,532,961	-
Bad debt expense	24,092	142,505	16,764
Insurance premiums	-	-	-
Depreciation expense	1,226,416	1,314,439	614,772
Total Operating Expenses	6,212,227	28,293,951	2,613,023
Operating Income (Loss)	3,841,704	1,531,689	671,882
Nonoperating Revenues (Expenses):			
Intergovernmental	576	-	-
Interest revenue and change in fair value of investments	16,306	31,703	20,199
Interest expense	(1,538,722)	(1,785,338)	(342,590)
Miscellaneous	87,018	81,477	42,069
Gain (loss) on disposal of capital assets	12,470	297	-
Total Nonoperating Revenues (Expenses)	(1,422,352)	(1,671,861)	(280,322)
Income (Loss) Before Transfers	2,419,352	(140,172)	391,560
Transfers in	-	-	-
Transfers out	(488,000)	(3,352)	(181,000)
Changes in Net Position	1,931,352	(143,524)	210,560
Net Position:			
Beginning of Year, as previously reported	33,578,510	45,280,331	27,647,337
Restatements	(740,532)	(689,888)	(344,597)
Beginning of Fiscal Year, as restated	32,837,978	44,590,443	27,302,740
End of Fiscal Year	\$ 34,769,330	\$ 44,446,919	\$ 27,513,300

Reconciliation of Changes in Net Position to the Statement of Activities:

Changes in Net Position, per the Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds

Adjustment to reflect the consolidation of current fiscal year internal service funds activities related to enterprise funds

Changes in Net Position of Business-Type Activities per Statement of Activities

CITY OF BANNING

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013

	Business-Type Activities - Enterprise Funds			Governmental Activities- Internal Service Funds
	Other Enterprise Funds	Totals		
Operating Revenues:				
Sales and service charges	\$ 3,527,494	\$ 46,639,899	\$ 5,495,456	
Connection fees	-	14,083	-	
Miscellaneous	-	37,988	-	
Total Operating Revenues	3,527,494	46,691,970	5,495,456	
Operating Expenses:				
Salaries and benefits	965,612	6,018,266	1,868,656	
Supplies and services	3,338,449	13,315,691	2,313,620	
Repairs and maintenance	8,536	77,159	241,296	
Street lighting costs	-	148,733	-	
Power purchased	-	18,532,961	-	
Bad debt expense	12,960	196,321	4,994	
Insurance premiums	-	-	892,450	
Depreciation expense	443,545	3,599,172	56,269	
Total Operating Expenses	4,769,102	41,888,303	5,377,285	
Operating Income (Loss)	(1,241,608)	4,803,667	118,171	
Nonoperating Revenues (Expenses):				
Intergovernmental	1,240,627	1,241,203	-	
Interest revenue and change in fair value of investments	626	68,834	(14,692)	
Interest expense	-	(3,666,650)	-	
Miscellaneous	41,388	251,952	227,535	
Gain (loss) on disposal of capital assets	-	12,767	576	
Total Nonoperating Revenues (Expenses)	1,282,641	(2,091,894)	213,419	
Income (Loss) Before Transfers	41,033	2,711,773	331,590	
Transfers in	-	-	-	
Transfers out	(55,000)	(727,352)	-	
Changes in Net Position	(13,967)	1,984,421	331,590	
Net Position:				
Beginning of Year, as previously reported	4,355,974	110,862,152	2,928,459	
Restatements	-	(1,775,017)	-	
Beginning of Fiscal Year, as restated	4,355,974	109,087,135	2,928,459	
End of Fiscal Year	\$ 4,342,007	\$ 111,071,556	\$ 3,260,049	
		\$ 1,984,421		
		67,315		
		\$ 2,051,736		

CITY OF BANNING

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013

	Business-Type Activities - Enterprise Funds		
	Banning Utility Authority Water	Electric Utility	Banning Utility Authority Wastewater
Cash Flows from Operating Activities:			
Cash received from customers and users	\$ 9,886,576	\$ 29,015,913	\$ 4,459,664
Cash received from/(paid to) interfund service provided	146,479	79,965	118
Cash paid to suppliers for goods and services	(3,487,942)	(23,425,962)	(1,380,481)
Cash paid to employees for services	(1,459,475)	(2,856,523)	(623,232)
Net Cash Provided (Used) by Operating Activities	5,085,638	2,813,393	2,456,069
Cash Flows from Non-Capital Financing Activities:			
Cash transfers out	(488,000)	(3,352)	(181,000)
Intergovernmental	576	-	-
Miscellaneous	87,018	81,477	42,069
Repayment received from other funds	-	-	285,700
Repayment made to other funds	(1,536,400)	-	-
Net Cash Provided (Used) by Non-Capital Financing Activities	(1,936,806)	78,125	146,769
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(1,871,542)	(1,163,897)	(101,354)
Principal paid on capital debt	(740,000)	(850,000)	(381,523)
Interest paid on capital debt	(1,555,814)	(1,824,661)	(317,904)
Proceeds from sales of capital assets	12,470	297	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(4,154,886)	(3,838,261)	(800,781)
Cash Flows from Investing Activities:			
Proceeds from repayments of notes and loans receivable	3,770	8,472	132
Issuance of notes and loans receivable	(4,351)	(8,988)	-
Interest received	20,566	41,092	25,128
Net Cash Provided (Used) by Investing Activities	19,985	40,576	25,260
Net Increase (Decrease) in Cash and Cash Equivalents	(986,069)	(906,167)	1,827,317
Cash and Cash Equivalents at Beginning of Year	15,629,970	39,348,971	17,863,959
Cash and Cash Equivalents at End of Year	\$ 14,643,901	\$ 38,442,804	\$ 19,691,276
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 3,841,704	\$ 1,531,689	\$ 671,882
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:			
Depreciation	1,226,416	1,314,439	614,772
Bad debt expense	24,092	142,505	16,764
(Increase) decrease in accounts receivable	(171,550)	(810,780)	1,172,392
(Increase) decrease in deposits receivable	-	(85)	-
(Increase) decrease in due from other governments	146,479	79,965	118
(Increase) decrease in inventories	(13,918)	105,378	-
(Increase) decrease in deposits with other agencies	-	126,121	-

CITY OF BANNING

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013

	Business-Type Activities - Enterprise Funds		Governmental
	Other Enterprise Funds	Totals	Activities- Internal Service Funds
Cash Flows from Operating Activities:			
Cash received from customers and users	\$ 3,434,927	\$ 46,797,080	\$ 5,517,507
Cash received from/(paid to) interfund service provided	289,926	516,488	(32,097)
Cash paid to suppliers for goods and services	(3,388,345)	(31,682,730)	(3,274,683)
Cash paid to employees for services	(950,297)	(5,889,527)	(1,856,734)
Net Cash Provided (Used) by Operating Activities	(613,789)	9,741,311	353,993
Cash Flows from Non-Capital Financing Activities:			
Cash transfers out	(55,000)	(727,352)	-
Intergovernmental	1,291,707	1,292,283	-
Miscellaneous	41,388	251,952	227,535
Repayment received from other funds	-	285,700	-
Repayment made to other funds	-	(1,536,400)	-
Net Cash Provided (Used) by Non-Capital Financing Activities	1,278,095	(433,817)	227,535
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(151,963)	(3,288,756)	(14,591)
Principal paid on capital debt	-	(1,971,523)	-
Interest paid on capital debt	-	(3,698,379)	-
Proceeds from sales of capital assets	-	12,767	576
Net Cash Provided (Used) by Capital and Related Financing Activities	(151,963)	(8,945,891)	(14,015)
Cash Flows from Investing Activities:			
Proceeds from repayments of notes and loans receivable	-	12,374	6,166
Issuance of notes and loans receivable	-	(13,339)	(4,046)
Interest received	618	87,404	(14,062)
Net Cash Provided (Used) by Investing Activities	618	86,439	(11,942)
Net Increase (Decrease) in Cash and Cash Equivalents	512,961	448,042	555,571
Cash and Cash Equivalents at Beginning of Year	411,341	73,254,241	3,572,207
Cash and Cash Equivalents at End of Year	\$ 924,302	\$ 73,702,283	\$ 4,127,778
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ (1,241,608)	\$ 4,803,667	\$ 118,171
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:			
Depreciation	443,545	3,599,172	56,269
Bad debt expense	12,960	196,321	-
(Increase) decrease in accounts receivable	(95,394)	94,668	22,051
(Increase) decrease in deposits receivable	-	(85)	-
(Increase) decrease in due from other governments	289,926	516,488	(32,097)
(Increase) decrease in inventories	2,295	93,755	(4,482)
(Increase) decrease in deposits with other agencies	-	126,121	-

CITY OF BANNING

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013

	Business-Type Activities - Enterprise Funds		
	Banning Utility Authority Water	Electric Utility	Banning Utility Authority Wastewater
Increase (decrease) in accounts payable	(6,275)	262,614	(40,661)
Increase (decrease) in accrued liabilities	1,374	11,391	901
Increase (decrease) in deposits payable	4,195	1,053	2,367
Increase (decrease) in claims and judgments	-	-	-
Increase (decrease) in compensated absences	33,121	49,103	17,534
Total Adjustments	1,243,934	1,281,704	1,784,187
Net Cash Provided (Used) by Operating Activities	\$ 5,085,638	\$ 2,813,393	\$ 2,456,069
Non-Cash Investing, Capital, and Financing Activities:			
Amortization of Unamortized Premiums/Discounts	\$ 50,536	\$ 19,574	\$ (4,217)
Amortization of Gain/Loss on Defeasance	(38,379)	16,917	(25,530)
Write-off of Costs of Issuance	737,956	689,899	234,904
Prior period restatement of depreciation	2,576	(11)	109,693

CITY OF BANNING

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013

	Business-Type Activities - Enterprise Funds		Governmental
	Other Enterprise Funds	Totals	Activities- Internal Service Funds
Increase (decrease) in accounts payable	(43,655)	172,023	179,598
Increase (decrease) in accrued liabilities	2,564	16,230	1,757
Increase (decrease) in deposits payable	2,827	10,442	-
Increase (decrease) in claims and judgments	-	-	2,561
Increase (decrease) in compensated absences	12,751	112,509	10,165
Total Adjustments	627,819	4,937,644	235,822
Net Cash Provided (Used) by Operating Activities	\$ (613,789)	\$ 9,741,311	\$ 353,993
Non-Cash Investing, Capital, and Financing Activities:			
Amortization of Unamortized Premiums/Discounts	\$ -	\$ 65,893	\$ -
Amortization of Gain/Loss on Defeasance	-	(46,992)	-
Write-off of Costs of Issuance	-	1,662,759	-
Prior period restatement of depreciation	-	112,258	-

CITY OF BANNING

STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2013

		Agency Funds	Private-Purpose Trust Fund Successor	Agency of the Former RDA
Assets:				
Pooled cash and investments		\$ 315,887		\$ 4,411,821
Receivables:				
Accounts			-	176
Notes and loans			-	6,197,888
Interest			115	1,080
Due from other governments			7,418	2,752
Land held for resale			-	2,599,402
Restricted assets:				
Cash and investments with fiscal agents			218,052	11,195,415
Capital assets:				
Capital assets, not being depreciated			-	3,315,605
Capital assets, net of accumulated depreciation			-	6,242,923
Total Assets		\$ 541,472		\$ 33,967,062
Liabilities:				
Accounts payable			\$ 2,389	104,952
Accrued liabilities			-	4,133
Accrued interest			-	702,005
Deposits payable			61,587	946
Due to bondholders			477,496	-
Long-term liabilities:				
Due in one year			-	1,219,820
Due in more than one year			-	40,288,319
Total Liabilities		\$ 541,472		\$ 42,320,175
Net Position:				
Held in trust for other purposes				<u>(8,353,113)</u>
Total Net Position		\$ (8,353,113)		

CITY OF BANNING**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2013**

	Private- Purpose Trust Fund Successor Agency of the Former RDA
Additions:	
Taxes	\$ 3,309,848
Interest and change in fair value of investments	95,171
Miscellaneous	233
Total Additions	<u>3,405,252</u>
Deductions:	
Administrative expenses	241,137
Contractual services	1,466,491
Interest expense	1,759,642
Amortization Expense	30,236
Depreciation expense	260,297
Forgiven loan expense	1,204,591
Total Deductions	<u>4,962,394</u>
Changes in Net Position	<u>(1,557,142)</u>
Net Position - Beginning of the Year	(5,557,104)
Restatement of Net Position	<u>(1,238,867)</u>
Net Position - Beginning of the Year, as restated	<u>(6,795,971)</u>
Net Position - End of the Year	<u>\$ (8,353,113)</u>

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

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

The City of Banning Financing Authority (the Authority) was formed by a joint exercise of powers agreement between the City of Banning and the former Banning Redevelopment Agency. It was established November 12, 2003 under Article 1 (commencing with Section 6500) of the Joint Powers Law of the State of California for the purpose of providing an entity to assist in providing financing for the City and the Agency. It does not issue separate financial statements. Its activities are included with the City's activities in these financial statements.

The Banning Utility Authority (Authority) is a joint powers authority which was established on June 1, 2005 pursuant to a Joint Exercise of Powers Agreement between the City of Banning and the former Redevelopment Agency of the City of Banning in accordance with the Joint Powers Law (Article 1 through 4 of Chapter 5, division 7, title 1 of the California Government code) for the purpose of assisting the City in the leasing of the utility system. The Banning Redevelopment Agency was dissolved as of January 31, 2012, through the Supreme Court decision on Assembly Bill 1X26. The City serves as the successor Agency to the Redevelopment Agency of the City of Banning. The Authority's Officers are the Banning City Council. The Authority is a separate legal entity, which is financially accountable to the City of Banning. It is considered a component unit of the City and, accordingly, is included with the City's activities in these financial statements.

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2013

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

b. Government-Wide and Fund Financial Statements

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

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2013

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

The proprietary and private-purpose trust funds are reported using the economic resources measurement focus and the accrual basis of accounting. The agency funds have no measurement focus but utilize the accrual basis of accounting for reporting its assets and liabilities.

The City reports the following major governmental funds:

- The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The City reports the following major proprietary funds:

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

Additionally, the City reports the following fund types:

- Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- Capital Project Funds are used to account for capital project expenditures throughout the City.
- Debt Service Funds are used to account for debt service related expenditures.
- Internal Service Funds are used to account for the financing of goods or services provided by one department or agency for other departments or agencies of the City, or to other governments, on a cost reimbursement basis.
- The Agency Funds are used to report resources held by the City in a purely custodial capacity, which involves only the receipt, temporary investment and remittance of fiduciary resources to individuals, private organizations or other governments. The City's agency funds account for assessments levied for debt service on bond issues which are not a debt of the City.
- The Private-purpose Trust Fund accounts for the assets and liabilities of the former redevelopment agency and is allocated revenue to pay estimated installment payments of enforceable obligations until obligations of the former redevelopment agency are paid in full and assets have been liquidated.

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

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2013

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

resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. Certain indirect costs are included in the program expense reported for individual functions and activities.

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

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

d. Assets, Liabilities and Net Position or Equity

Deposits and Investments and Cash and Cash Equivalents

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

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

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

Receivables and Payables

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

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2013

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

Advances between funds, as reported in the fund financial statements, are offset by nonspendable fund balance 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 unavailable revenue and recognized as revenue when the receivables become current. The noncurrent portion of loans and other receivables are offset by fund balance non-spendable accounts. Property tax revenue is recognized in the fiscal year for which the taxes have been levied providing they become available. Property taxes in the State of California are administered for all local agencies at the county level and consist of secured, unsecured and utility tax rolls. The following is a summary of major policies and practices relating to property taxes:

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

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

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

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

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

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2013

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

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

Inventories and Prepaid Items

Inventories of materials and supplies (if material) are carried at cost on a first-in, first-out (FIFO) basis. The City uses the consumption method of accounting for inventories. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

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

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

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

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

Assets	Years
Building and Structures	20 - 50
Improvements	15 - 25
Machinery and Equipment	3 - 25
Vehicles	5 - 10
Infrastructure	40 - 50
Airport Master Plan	10 - 20
Utility Plant	20 - 60

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The government only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2013

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

results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has two items, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from sources; such as, taxes, grant revenues, and long-term receivables. In addition a deferred gain on refunding is reported in the proprietary funds. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Fund balance flow assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Compensated Absences

Compensated absences are the amounts due to employees for future absences that are attributable to services already rendered. The City has determined that no current liability exists for compensated absences; therefore, the liability for governmental activities is shown only in the government-wide statements. For proprietary funds the liability for compensated absences, if any, is segregated between short-term and long-term as indicated above and both portions are reflected in the fund involved. Vacation pay is payable to employees at the time a vacation is taken or upon termination of employment. Sick leave is payable when an employee is unable to work because of illness or upon termination. Compensatory time, personal leave, executive leave 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/Personal Leave/Executive Leave may be accrued in the following manner prior to July 1, 2013: Compensatory time for Police employees up to 240 hours, Utility and General employees up to 160 hours, and Non-exempt Managers up to 240 hours. Exempt Managers receive 98 hours of personal leave per year that may be accrued without limit; the City Manager and Department Directors receive 98 hours of executive leave annually that may be accrued without limit.

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2013

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

Utility employees may cash out 40 hours of compensatory time, or vacation, or any combination thereof, annually. Non-exempt Management employees may cash out 60 hours of compensatory time per year and Exempt Management employees may elect to cash out 60 hours of personal leave per year. The City Manager and Department Directors may cash out 98 hours of executive leave per year.

All compensatory time/personal leave/executive leave is payable to employees upon termination at the rate of pay at termination.

Effective July 1, 2013, Compensatory Time/ Personal Leave/Executive Leave may be accrued in the following manner: Compensatory time for Police employees up to 240 hours, Utility and General employees up to 160 hours, and Non-exempt Managers up to 240 hours.

Exempt Managers receive 98 hours of personal leave per year that may be accrued up to 192 hours. Effective the first full pay period in July 2013, all personal leave balances above 150 hours will be moved to a unique leave account.

Police Management receives 98 hours of personal leave per year that may be accrued up to 98 hours. Effective the first full pay period in July 2013, all personal leave balances will be moved to a unique leave account.

The City Manager and Department Directors receive 98 hours of executive leave annually that may be accrued up to 200 hours. Effective the first full pay period in July 2013, all executive leave balances above 98 hours will be moved to a unique leave bank.

Utility employees may cash out 40 hours of compensatory time, or vacation, or any combination thereof, annually. Non-exempt Management employees may cash out 60 hours of compensatory time per year. Police Management and Exempt Management employees may elect to cash out 60 hours of personal leave per year. The City Manager and Department Directors may cash out 98 hours of executive leave per year.

All compensatory time/personal leave/executive leave is payable to employees upon termination at the rate of pay at termination.

Sick Leave accrues to employees in the following manner prior to July 1, 2013: 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 and Utility personnel shall accrue sick leave without limit. General employees may elect to receive a buyout of 40 hours of sick, vacation or compensatory time, or any combination thereof, annually. Upon termination, voluntary or involuntary, or disability, each employee after 10 years of continuous service shall be eligible to convert to cash up to 30% of unused sick leave or contribute the entire remaining balance to deferred compensation or the City's Retiree Medical Savings Plan.

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2013

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

Annually, Utility employees may receive an 80-hour sick leave pay off. Upon voluntary separation or involuntary disability, each employee may receive a cash payment for up to 80 hours of accrued sick leave, in addition, after 10 years of service, the employee may be paid for 30% of unused sick leave or contribute the entire remaining balance to deferred compensation or the City's Retiree Medical Savings Plan.

The City Manager shall accrue sick leave to a maximum of 320 hours and may receive an annual sick leave pay off of up to 96 hours. Upon separation, the City Manager shall receive payment for all sick hours accrued.

Department Directors and Managers shall accrue sick leave without limit. Annually, Department Directors and Managers may receive a 96-hour sick leave pay off, but will not be able to cash out sick leave below 40 hours. Upon separation, service retirement, disability retirement or termination, each Management 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. Department Directors shall receive payment for all sick hours accrued.

Beginning with the 11th year of service, all employees have the option to convert their sick leave bank, less 40 hours, to deferred compensation or the City's Retiree Health Savings Plan.

Effective January 2013, Sick leave will accrue to Police Management as follows: employees will accrue sick leave up to a cap of 320 hours. All sick hours above 224 will be moved to a unique sick leave account. Annually, employees may receive a 96-hour sick leave pay off or convert hours to deferred compensation, but will not be able to cash out sick leave below 40 hours. Upon separation, service retirement, disability retirement, or termination, an employee may receive a cash payment for a maximum of 96 hours. Beginning the 10th year of continuous City service, all hours accrued shall be eligible for conversion to cash in an amount equivalent to 30% of such unused sick leave. Beginning with the 11th year of service, unit members may convert 50% of their sick leave bank, less 40 hours, to deferred compensation or the City's Retiree Health Savings Plan.

Effective July 1, 2013, 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.

Management employees, Utility personnel and General employees will accrue sick leave up to a cap of 400 hours. Effective the first full pay period in July 2013, excess hours above 224 will be moved to an "old sick" leave account. During the year ended June 30, 2014 and thereafter, any hours that exceed the regular cap of 400 hours will not be accrued.

Upon separation, service retirement, disability retirement or termination, after 10 years of service, Utility and General personnel may receive a cash payment for 30% of all unused sick leave or contribute the entire remaining balance of sick leave to the employee's 457 Deferred Compensation Account (subject to IRS maximum contributions provided by law) or City's Retiree Medical Savings Account.

Upon separation, service retirement, disability retirement or termination, Management employees shall be eligible to receive a cash payment for accrued sick leave in an

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2013

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

amount not to exceed 96 hours. After 10 years of continuous City service, all hours accrued, less the total hours cashed out, shall be eligible for conversion to cash in an amount equivalent to 30% of such unused sick leave.

Beginning with the 11th year of service, all Management, Utility and General employees have the option to convert their sick leave bank, less 40 hours, to deferred compensation or the City's Retiree Health Savings Plan.

The City Manager shall accrue sick leave to a maximum of 320 hours and may receive an annual sick leave pay off of up to 96 hours. Upon separation, the City Manager shall receive payment for all sick hours accrued.

Department Directors shall accrue sick leave up to a maximum of 480 hours. Effective the first full pay period in July 2013, excess sick hours above 96 will be moved to an "old sick" leave bank. Annually, Department Directors may receive a 96-hour sick leave pay off, but will not be able to cash out sick leave below 40 hours. Upon separation, service retirement, disability retirement or termination, Department Directors shall receive payment for all sick hours accrued.

Vacation and Holiday Leave accrue in the following manner prior to July 1, 2013: Police employees accrue hours according to schedules set forth in a memorandum of understanding. After one year of employment, each employee is eligible to be paid for accrued vacation. Maximum accrual for vacation is 320 hours and 336 hours for non-supervisory and supervisory personnel, respectively. Holiday leave may be accrued to a maximum of 160 hours. At termination, after 1 year of continuous full-time service, employees shall be paid for 100% of accrued vacation and holiday leave.

General and Utility personnel accrue vacation leave in accordance with schedules set forth in a memorandum of understanding. Holidays do not accrue, but are paid per schedules set forth in a memorandum of understanding. Vacation leave accrues up to a maximum of 320 hours. Upon termination, all union personnel with at least six months service will be paid for all accrued hours.

The City Manager's maximum accrual for vacation is 320 hours. Department Directors accrue vacation with no limit. Holiday hours for the City Manager and Department Directors accrue without limit. Upon termination, the City Manager and Department Directors shall be entitled to be paid for the entire amount of vacation and holiday time accrued.

Management employees 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.

Employees may cash out vacation/holiday time annually as follows:

	<u>Hours</u>
City Manager (vacation)	120
Department Directors (vacation)	80
Managers 80 (vacation in excess of 80)	
Police (vacation)	40
Police (holiday)	88

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2013

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

Effective July 1, 2013, Vacation and Holiday Leave Police employees accrue hours according to schedules set forth in a memorandum of understanding. After one year of employment, each employee is eligible to be paid for accrued vacation. Maximum accrual for vacation is 320 hours and 336 hours for non-supervisory and supervisory personnel, respectively. Holiday leave may be accrued to a maximum of 160 hours. At termination, after 1 year of continuous full-time service, employees shall be paid for 100% of accrued vacation and holiday leave.

General and Utility personnel accrue vacation leave in accordance with schedules set forth in a memorandum of understanding. Holidays do not accrue, but are paid per schedules set forth in a memorandum of understanding. Vacation leave accrues up to a maximum of 320 hours. Upon termination, all union personnel with at least six months service will be paid for all accrued hours.

The City Manager's maximum accrual for vacation is 320 hours. Department Directors will accrue vacation leave up to a cap of 480 hours. Effective the first full pay period in July 2013, excess hours above 160 (for Department Directors) will be moved to a unique vacation bank. Upon separation, the City Manager and Department Directors shall be entitled to 100% of the unused vacation leave on the books. Effective July 2013, existing holiday hours will be moved to a unique leave bank and the City Manager and Department Directors will no longer accrue holidays, but will be paid for holidays per schedules referred to in individual contracts. Upon termination, the City Manager and Department Directors shall be entitled to be paid for the entire amount of holiday time accrued.

Police Management will accrue vacation leave up to a cap of 320 hours. Effective the first full pay period in July 2013, excess hours above 160 will be moved to a unique vacation bank. Upon separation, employee shall be entitled to 100% of the unused vacation leave on the books. Police Management shall accrue holiday hours up to the cap of 96 hours. Effective the first full pay period in July 2013, all holiday hours will be moved to a unique bank. Upon separation, employees shall be entitled to 100% of the unused holiday leave on the books.

Management employees accrue vacation and holiday leave in accordance with schedules set forth in a memorandum of understanding. Vacation accrues to a limit of 320 hours. Effective July 2013, existing holiday hours will be moved to a unique leave bank and the Management employees will no longer accrue holidays, but will be paid for holidays per schedules contained 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. The cash value of holiday hours (for Management employees) in the unique bank will remain at the employee's July 2013 pay rate.

Employees may cash out vacation/holiday time annually as follows:

	<u>Hours</u>
City Manager (vacation)	120
Department Directors (vacation)	80
Managers 80 (vacation in excess of 80)	
Police Management (vacation)	80
Police (vacation)	40
Police (holiday)	88

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2013

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

Floating Holiday shall be credited as 8 hours to each employee's account with the first payroll in each fiscal year for Utility employees and General employees. Utility employees' and General employees' floating holiday leave balances must be used during the fiscal year or cashed out.

Effective July 1, 2013 General employees, Utility employees, the City Manager, Department Directors and Managers will be credited one floating holiday (10 hours) with the first payroll in each fiscal year. Floating holiday leave balances must be used during the fiscal year or cashed out.

Career part-time classification employees shall accrue leave balances on a prorata basis derived from the leave rates and caps set forth in the most recent memorandum of understanding for Management employees. Career part-time employees are not eligible for cash out of any accrued hours, except upon termination.

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 position. Bond premiums and discounts 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.

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

Fund Equity

In the fund financial statements, government funds report the following fund balance classification:

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

Restricted include amounts that are constrained on the use of resources by either (a) external creditors, grantors, contributors, or laws of regulations of other

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS (CONTINUED) **JUNE 30, 2013**

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

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

Committed include amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest authority, City Council. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution.

Emergency Contingency - City Council has determined the specific purposes for which this may be used for are local disasters, recessions or other financial hardships; to subsidize unforeseen operating or capital needs; and cash flow requirements.

Assigned include amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The City Manager or Deputy City Manager are authorized to assign amounts to a specific purpose, which was established by the governing body by resolution.

Unassigned include the residual amounts that have not been restricted, committed, or assigned to specific purposes.

An individual governmental fund could include nonspendable resources and amounts that are restricted. Restricted amounts are to be considered spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available then unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

e. New Accounting Pronouncements

GASB 65

The Entity implemented GASB Statement 65, Items Previously Reported as Assets and Liabilities. GASB 65, among other things, amends prior guidance with respect to the treatment of debt issuance costs. Debt issuance costs should be recognized in the period incurred rather than reported on the statement of net position as deferred charges and recognized systematically over the life of the debt. The accounting changes of this statement should be applied retroactive and therefore the Entity has reported a restatement of beginning net position for any unamortized debt issuance costs (deferred charges) previously reported on the statement of net position to conform.

II. STEWARDSHIP

Note 2: Stewardship, Compliance and Accountability

a. Budgets and Budgetary Accounting

The City Council has the responsibility for adoption of the City's budgets. Budgets are adopted for governmental funds. From the effective date of the budget, the amounts stated as proposed expenditures become appropriations to the various City departments.

CITY OF BANNING**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
JUNE 30, 2013

Note 2: Stewardship, Compliance and Accountability (Continued)

The City Council may amend the budget by resolution during each fiscal year. The City Manager is authorized to transfer funds from one major expenditure category to another within the same department and fund. Any revisions that alter the total expenditures of any fund must be approved by the City Council.

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

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

b. The following fund contained a deficit fund balance:

Fund	Amount
Sunset Grade Separation - Capital Project	\$ 2,286,485

III. DETAILED NOTES ON ALL FUNDS**Note 3: Cash and Investments**

As of June 30, 2013, cash and investments were reported in the accompanying financial statements as follows:

Governmental activities	\$ 17,117,537
Business-type activities	73,702,283
Fiduciary funds	<u>16,141,175</u>
 Total Cash and Investments	 <u>\$ 106,960,995</u>

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

Deposits

At June 30, 2013, the carrying amount of the City's deposits was \$6,989,735, and the bank balance was \$7,431,615. The \$441,880 difference represents outstanding checks and other reconciling items.

The California Government Code requires California banks and savings and loan associations to secure a City's deposits by pledging government securities with a value of 110% of a City's deposits. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of a City's

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2013

Note 3: Cash and Investments (Continued)

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

Investments

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

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

Investments Authorized by Debt Agreements

The above investments do not address investment of debt proceeds held by a bond trustee. Investments of debt proceeds held by a bond trustee are governed by provisions of the debt agreements rather than the general provisions of the California Government Code or the City's investment policy.

Investments in State Investment Pool

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

GASB Statement No. 31

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

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2013

Note 3: Cash and Investments (Continued)

Credit Risk

The City's investment policy does not limit investments in Federal Agency Securities by ratings issued by nationally recognized statistical rating organizations. As of June 30, 2012, the City's investments in Federal Agency Securities consisted of investments in Federal Home Loan Bank Bonds, Federal Home Loan Mortgage Corporation Notes and Federal National Mortgage Corporation. At June 30, 2013, all Federal Agency Securities were rated "AA+" by Standard & Poor's. All securities were investment grade and were legal under State and City law. As of June 30, 2013, the City's investments in external investment pools are unrated.

Custodial Credit Risk

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

As of June 30, 2013, none of the City's deposits or investments was exposed to custodial credit risk.

Concentration of Credit Risk

The City is in compliance with restrictions imposed by its investment policy, which limits certain types of investments. In addition, GASB 40 requires a separate disclosure if any single issuer comprised more than 5% of the total investment value. As of June 30, 2013, the City had no investments in one issuer that exceeded 5%. The investments in mutual money market funds and external investment pools are excluded from this requirement.

Interest Rate Risk

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

As of June 30, 2013, the City had the following investments and maturities:

Investment Type	Remaining Investment Maturities					Fair Value
	6 months or less	6 months to 1 year	1 to 3 years	More than 5 years		
Federal Agency Securities	\$ -	\$ -	\$ 6,975,635	\$ 991,180	\$ 7,966,815	
Local Agency Investment Fund	37,175,936	-	-	-	-	37,175,936
Money Market	17,713,156	-	-	-	-	17,713,156
Cash with Fiscal Agents:						
Money Market	37,115,353	-	-	-	-	37,115,353
Total	\$ 92,004,445	\$ -	\$ 6,975,635	\$ 991,180	\$ 99,971,260	

CITY OF BANNING**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
JUNE 30, 2013

Note 4: Interfund Receivables, Payables and Transfers

The composition of interfund balances as of June 30, 2013, is as follows:

Due To/From Other Funds

Funds	Due To Other Funds
Funds	Nonmajor Governmental Funds
Due From Other Funds:	
General Fund	\$ 19,300
Water Fund	<u>1,536,400</u>
Total	<u>\$ 1,555,700</u>

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

Advances To/From Other Funds

Funds	Advances to Other Funds
Funds	Electric Utility
Advances from Other Funds:	
General Fund	<u>\$ 394,118</u>
Total	<u>\$ 394,118</u>

During previous fiscal years, the Electric Utility Fund had made loans to the General Fund. These loans bear interest at rates up to 12% per annum depending upon when the loan was initiated. The Electric Utility Fund may demand payment of all or a portion of the principal balance at any time as funds become available; however, such demands are not anticipated with the next fiscal year. As of June 30, 2013, principal owed on those loans was \$394,118.

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2013

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

Interfund Transfers

Funds	Transfers In:			Totals
	General Fund	Nonmajor Governmental Funds		
Transfers Out:				
General Fund	\$ -	\$ 164,325	\$	164,325
Nonmajor Governmental Funds	25,087	54,844		79,931
BUA Water Fund	488,000	-		488,000
BUA Wastewater Fund	181,000	-		181,000
Electric Utility	-	3,352		3,352
Nonmajor Proprietary Funds	55,000	-		55,000
Totals	\$ 749,087	\$ 222,521	\$	971,608

Transfers out of the General, Water, Nonmajor Governmental Funds, the BUA Water Fund, the BUA Wastewater Fund, and Nonmajor Proprietary Funds to other Nonmajor Governmental Funds are to pay certain costs incurred for special projects undertaken in the other Nonmajor Governmental Funds.

Note 5: Changes in Capital Assets

Capital asset activity for the year ended June 30, 2013, is as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 3,061,900	\$ -	\$ -	\$ -	\$ 3,061,900
Construction-in-progress	3,270,346	1,897,156	-	(709,140)	4,458,362
Total Capital Assets, Not Being Depreciated	6,332,246	1,897,156	-	(709,140)	7,520,262
Capital assets, being depreciated:					
Buildings and structures	25,960,345	36,384	-	-	25,996,729
Land improvements	6,596,669	18,250	-	457,388	7,072,307
Machinery and equipment	5,782,467	254,602	-	51,704	6,088,773
Vehicles	4,169,533	-	155,836	200,048	4,213,745
Infrastructure	112,756,682	-	-	-	112,756,682
Total Capital Assets, Being Depreciated	155,265,696	309,236	155,836	709,140	156,128,236
Less accumulated depreciation:					
Buildings and structures	11,258,392	974,365	-	-	12,232,757
Land improvements	2,659,290	319,169	-	-	2,978,459
Machinery and equipment	4,295,505	447,518	-	-	4,743,023
Vehicles	3,804,410	206,810	140,054	-	3,871,166
Infrastructure	45,552,292	3,711,473	-	-	49,263,765
Total Accumulated Depreciation	67,569,889	5,659,335	140,054	-	73,089,170
Total Capital Assets, Being Depreciated, Net	87,695,807	(5,350,099)	15,782	709,140	83,039,066
Governmental Activities Capital Assets, Net	\$ 94,028,053	\$ (3,452,943)	\$ 15,782	\$ -	\$ 90,559,328

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 5: Changes in Capital Assets (Continued)

Depreciation expense was charged to governmental functions as follows:

Governmental Activities:									
General government				\$ 206,957					
Public safety				891,847					
Public works				4,100,346					
Parks and recreation				403,916					
Internal service funds				56,269					
Total Depreciation Expense - Governmental Activities				\$ 5,659,335					

		Beginning		Adjusted					
		Balance	Adjustments*	Beginning	Increases	Decreases	Transfers	Ending	Balance
Business-Type Activities:									
Capital assets, not being depreciated:									
Land	\$ 1,184,229	\$ -	\$ 1,184,229	\$ -	\$ -	\$ -	\$ -	\$ 1,184,229	
Construction-in-progress	2,959,632	-	2,959,632	3,026,160	-	-	(1,153,326)	4,832,466	
Total Capital Assets, Not Being Depreciated	4,143,861	-	4,143,861	3,026,160	-	-	(1,153,326)	6,016,695	
Capital assets, being depreciated:									
Airport master plan	38,875	-	38,875	-	-	-	-	38,875	
Buildings and structures	519,247	-	519,247	-	-	-	-	519,247	
Land improvements	3,135,953	-	3,135,953	-	-	-	425,649	3,561,602	
Machinery and equipment	29,106	-	29,106	-	-	-	-	29,106	
Utility plant	160,620,707	-	160,620,707	262,598	126,873	-	727,677	161,484,109	
Total Capital Assets, Being Depreciated	164,343,888	-	164,343,888	262,598	126,873	-	1,153,326	165,632,939	
Less accumulated depreciation:									
Airport master plan	38,875	-	38,875	-	-	-	-	38,875	
Buildings and structures	386,255	-	386,255	10,144	-	-	-	396,399	
Land improvements	1,451,495	-	1,451,495	165,470	-	-	-	1,616,965	
Machinery and equipment	27,798	-	27,798	1,311	-	-	-	29,109	
Utility plant	59,948,700	112,258	60,060,958	3,422,247	126,873	-	-	63,356,332	
Total Accumulated Depreciation	61,853,123	112,258	61,965,381	3,599,172	126,873	-	-	65,437,680	
Total Capital Assets, Being Depreciated, Net	102,490,765	(112,258)	102,378,507	(3,336,574)	-	-	1,153,326	100,195,259	
Business-type Activities									
Capital Assets, Net	\$ 106,634,626	\$ (112,258)	\$ 106,522,368	\$ (310,414)	\$ -	\$ -	\$ -	\$ 106,211,954	

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

Business-Type Activities:									
Banning Utility Authority Water				\$ 1,226,416					
Electric Utility				1,314,439					
Banning Utility Authority Wastewater				614,772					
Airport				175,615					
Transit				266,618					
Refuse Utility				1,312					
Total Depreciation Expense - Business-Type Activities				\$ 3,599,172					

CITY OF BANNING**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
JUNE 30, 2013**Note 6: Accounts Receivable**

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

	<u>Gross Receivable</u>	<u>Allowance For Doubtful Accounts</u>	<u>Net Receivable</u>
Water	\$ 1,749,584	\$ (51,700)	\$ 1,697,884
Electric	4,306,210	(126,611)	4,179,599
Wastewater	498,913	(15,188)	483,725
Nonmajor Proprietary Funds	<u>523,693</u>	<u>(15,808)</u>	<u>507,885</u>
	<u><u>\$ 7,078,400</u></u>	<u><u>\$ (209,307)</u></u>	<u><u>\$ 6,869,093</u></u>

Note 7: Loans Receivable

The City has entered into various loan agreements relating to owners participation agreements, developer loans, the first time home buyer loan program, the rehabilitation loan program, and various other loans receivable. The owners' participation agreements have repayment terms between 6 and 55 years. The following summarizes the loans outstanding at June 30, 2013:

Description	Balance at June 30, 2013
Owners participation loans	\$ 500,000
First time home buyer down payment assistance loans	460,000
Rehabilitation loans	160,606
Other loans	<u>43,899</u>
Total loans receivable at June 30, 2013	<u><u>\$ 1,164,505</u></u>

Note 8: Deposits with Other Agencies

On August 14, 2001, the City of Banning adopted Resolution 2001-85, approving the Utility Services Agreement between the City of Banning and the City of Riverside. Under this agreement, the City of Riverside shall provide scheduling, dispatching and other related electric utility services to the City. The implementation of this agreement required the payment of a refundable deposit by the City of Banning to the City of Riverside. The amount of deposit with the City of Riverside as of June 30, 2013, amounted to \$1,032,422.

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 9: Long-Term Debt

The following is a summary of the changes in long-term debt for the fiscal year ended June 30, 2013:

	Balance at July 1, 2012	Incurred	Retired	Balance at June 30, 2013	Due Within One Year
Governmental Activities:					
2011 Refunding Lease	\$ 3,147,155	\$ -	\$ 320,963	\$ 2,826,192	\$ 333,112
Compensated Absences					
Governmental Funds	1,084,545	596,872	530,720	1,150,697	563,091
Internal Service Funds	187,965	132,695	122,530	198,130	130,698
Claims and Judgment	917,420	283,492	280,930	919,982	281,714
Total	\$ 5,337,085	\$ 1,013,059	\$ 1,255,143	\$ 5,095,001	\$ 1,308,615
Business-Type Activities:					
Loans Payable	\$ 2,414,042	\$ -	\$ 241,523	\$ 2,172,519	\$ 247,802
2005 Water Revenue Bond	31,480,000	-	740,000	30,740,000	770,000
2005 Wastewater Revenue Bond	5,700,000	-	140,000	5,560,000	145,000
2007 Electric Revenue Bond	36,935,000	-	850,000	36,085,000	880,000
Compensated Absences	675,586	506,005	393,496	788,095	459,027
Total	\$ 77,204,628	\$ 506,005	\$ 2,365,019	75,345,614	\$ 2,501,829
Less:					
Unamortized original issue premium				1,606,828	
Unamortized original issue discount				(94,870)	
Net Business-Type Activities				\$ 76,857,572	

a. Compensated Absences

For governmental activities, accumulated vacation, sick leave benefits, holiday and compensatory time payable at June 30, 2013, was \$1,348,827 which includes \$198,130 recorded in the internal service funds. These amounts are payable from future resources and, therefore, have been recorded in the statement of net position. Vacation, sick leave, holiday and compensatory time are recorded as expenditures in the related funds when used. For enterprise funds, accumulated vacation, sick leave, holiday and compensatory time amounted to \$788,095.

b. 2011 Refunding Lease Agreement

On April 27, 2011, the City entered into a lease agreement for the purpose of refunding the 1997 Refunding Certificates of Participation. The lease agreement totals \$3,455,000 and is subject to an interest rate of 3.75% per annum. The lease agreement is payable on November 1 and May 1 of each year commencing November 1, 2011 through 2020 and is in connection with real property leased by the City to the funding corporate parties. At June 30, 2013, the outstanding balance on the refunding lease agreement is \$2,826,192.

CITY OF BANNING**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
JUNE 30, 2013**Note 9: Long-Term Debt (Continued)**

Year Ending June 30,	Principal	Interest	Total
2014	\$ 333,112	\$ 102,888	\$ 436,000
2015	345,720	90,280	436,000
2016	358,807	77,193	436,000
2017	372,388	63,612	436,000
2018	386,483	49,517	436,000
2019-2022	1,029,682	58,573	1,088,255
Total	\$ 2,826,192	\$ 442,063	\$ 3,268,255

c. 2005 Water Revenue Bonds

On December 8, 2005, the Banning Utility Authority issued \$35,635,000 in Water Enterprise Revenue Bonds, Refunding and Improvement Projects. The Proceeds of these Bonds were utilized to refund and defease \$2,475,000 in 1986 Water Utility Fund Certificates of Participation and \$1,890,000 in 1989 Water Utility Fund Certificates of Participation and to provide additional funds to pay for certain capital project improvements.

As a result, the 1986 and 1989 Water Utility Fund Certificates of Participation are considered to be defeased and the liability for those bonds has been removed from long-term debt. The advance refunding resulted in a decrease in the Authority's debt service payments over the next 14 years of approximately \$1,050,648. The economic gain (difference between the present values of the debt service payments on the old and new debt) amounts to approximately \$686,786.

The bonds consist of serial bonds maturing in the years 2006 to 2020 are payable November 1 in annual installments of \$620,000 to \$1,025,000. The bonds bear interest at 3.25% to 4.5%. Bonds maturing after November 1, 2020, in the amount of \$23,585,000 are term bonds and bear interest at 5.25%. At June 30, 2013, the outstanding balance on the refunding lease agreement is \$30,740,000. The total debt service payment requirements with respect to the above bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2014	\$ 770,000	\$ 1,521,138	\$ 2,291,138
2015	805,000	1,487,625	2,292,625
2016	840,000	1,451,675	2,291,675
2017	875,000	1,416,338	2,291,338
2018	910,000	1,380,638	2,290,638
2019 - 2023	6,360,000	7,339,700	13,699,700
2024 - 2028	6,940,000	4,423,650	11,363,650
2029 - 2033	8,960,000	2,347,275	11,307,275
2034 - 2036	4,280,000	227,588	4,507,588
Totals	\$ 30,740,000	\$ 21,595,627	\$ 52,335,627

CITY OF BANNING**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
JUNE 30, 2013

Note 9: Long-Term Debt (Continued)**d. 2005 Wastewater Revenue Bonds**

On December 8, 2005, the Banning Utility Authority issued \$7,100,000 in Wastewater Enterprise Revenue Bonds, Refunding and improvement projects. The Proceeds of these Bonds were utilized to refund and defease \$1,895,000 in 1989 Wastewater Utility Fund Certificates of Participation and to provide additional funds to pay for certain capital project improvements.

As a result, the 1989 Wastewater Utility Fund Certificates of Participation are considered to be defeased and the liability for those bonds has been removed from long-term debt. The advance refunding resulted in a decrease in the Authority's debt service payments over the next 14 years of approximately \$1,550,638. The economic loss (difference between the present values of the debt service payments on the old and new debt) amounts to approximately \$404,306.

The bonds consist of serial bonds maturing in the years 2006 to 2020 are payable November 1 in annual installments of \$135,000 to \$265,000. The bonds bear interest at 3.25% to 4.5%. Bonds maturing between November 1, 2021 and November 1, 2025, in the amount of \$1,100,000 are term bonds and bear interest at 4.5%. Bonds maturing between November 1, 2026 and November 1, 2035, in the amount of \$3,105,000 are term bonds and bear interest at 4.625%. The outstanding principal balance at June 30, 2013, amounted to \$5,560,000.

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

Year Ending June 30,	Principal	Interest	Total
2014	\$ 145,000	\$ 245,248	\$ 390,248
2015	155,000	239,395	394,395
2016	160,000	233,094	393,094
2017	165,000	226,430	391,430
2018	170,000	219,606	389,606
2019 - 2023	1,190,000	1,152,281	2,342,281
2024 - 2028	1,260,000	685,756	1,945,756
2029 - 2033	1,580,000	359,131	1,939,131
2034 - 2036	735,000	34,341	769,341
Total	<u>\$ 5,560,000</u>	<u>\$ 3,395,282</u>	<u>\$ 8,955,282</u>

e. Loan Payable - California Water Resource Control Board

On March 17, 1999, the City entered into a loan contract with the California Water Resource Control Board (Board). The loan was to provide the City with assistance for the Wastewater treatment facility upgrade project. The loan amount was \$4,658,883 and is subject to an interest rate of 2.6% per annum. The loan is to be repaid within 20 years through 20 equal annual installments of principal and interest. The outstanding loan balance at June 30, 2013, was \$2,172,519. The loan is recorded in the BUA Wastewater Utility Enterprise Fund.

CITY OF BANNING**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
JUNE 30, 2013**Note 9: Long-Term Debt (Continued)**

Year Ending June 30,	Principal	Interest	Total
2014	\$ 247,802	\$ 56,485	\$ 304,287
2015	254,246	50,043	304,289
2016	260,857	43,432	304,289
2017	267,639	36,650	304,289
2018	274,597	26,691	301,288
2019 - 2020	867,378	45,490	912,868
Total	\$ 2,172,519	\$ 258,791	\$ 2,431,310

f. 2007 Electric Revenue Bond

In July 2007, the City of Banning Financing Authority issued \$45,790,000 in Revenue Bonds (Electric System Project) Series 2007. The proceeds of these bonds will be used to finance certain improvements to the electric system of the City of Banning. The bonds consist of serial bonds maturing in the years 2009 through 2029 and are payable June 1 in annual installments from \$725,000 through \$1,815,000. The bonds bear interest at 4.0% to 5.0%. The bonds also consist of term bonds maturing in the years 2025 through 2038 and are payable June 1 ranging in amounts between \$3,240,000 through \$15,025,000 and bearing interest between 4.5% to 5.0%.

In June 2010, the City bought back \$5,775,000 of the outstanding debt of the 2007 Electric Revenue Bonds and the liability for those bonds has been removed from long-term debt. This resulted in an economic gain of \$84,584 which will be amortized over the remaining life of the bond.

The outstanding balance at June 30, 2013, amounted to \$36,085,000. The total debt service payment requirements with respect to the above bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2014	\$ 880,000	\$ 1,787,638	\$ 2,667,638
2015	935,000	1,737,038	2,672,038
2016	970,000	1,697,300	2,667,300
2017	1,020,000	1,648,800	2,668,800
2018	1,070,000	1,597,800	2,667,800
2019 - 2023	7,655,000	8,363,550	16,018,550
2024 - 2028	8,295,000	5,056,325	13,351,325
2029 - 2033	8,620,000	2,890,750	11,510,750
2034 - 2038	6,640,000	850,500	7,490,500
Total	\$ 36,085,000	\$ 25,629,701	\$ 61,714,701

Note 10: Assessment District and Community Facilities District Bonds

Bonds issued for improvements in certain special assessment districts in accordance with the provisions of the Municipal Improvement Acts of 1911, 1913 and 1915, as well as the Mello-Roos Community Facilities District Act, are liabilities of the property owners and are

CITY OF BANNING**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
JUNE 30, 2013

Note 10: Assessment District and Community Facilities District Bonds (Continued)

secured by liens against the assessed properties. The City acts as an agent for collection of principal and interest payments by the property owners and remittance of such monies to the bondholders. Neither the faith and credit, nor the taxing power, of the City of Banning or the Agency has been pledged to the payment of the bonds. Therefore, none of the following special assessment bonds are shown in the financial statements of the City.

	<u>Amount of Issue</u>	<u>Outstanding June 30, 2013</u>
AD 2004-1	\$ 2,898,000	\$ 2,520,000

Note 11: Operating Lease

In December 2005, the Banning Utility Authority entered into an operating lease with the City for the use of the City's water and wastewater systems. The lease agreement states that an initial payment of \$17,000,000 be paid to the City, with additional annual installments equal to the total surplus revenues and other funds pledged. The lease agreement is for a term of 55 years and the amount paid to the City over that time cannot exceed the fair value of the water and wastewater systems. In 2005-2006, the Banning Utility Authority paid the City the initial payment of \$17,000,000. The Banning Utility Authority made a payment of \$651,000 during the fiscal year ending June 30, 2013.

Note 12: City Employees Retirement Plan (Defined Benefit Pension Plan)**a. PERS****Miscellaneous Plan****Plan Description**

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

Funding Policy

Participants are required to contribute 9% of their annual covered salary and the City does not contribute towards the employees' share. 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, 2013, was 17.452% for miscellaneous employees. Benefit provisions and all other requirements are established by state statute and City contract with employee bargaining groups.

CITY OF BANNING**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
JUNE 30, 2013**Note 12: City Employees Retirement Plan (Defined Benefit Pension Plan) (Continued)****Annual Pension Cost and Funding Progress**

For the year ended June 30, 2013, the City's annual pension cost (employer contribution) of \$1,226,999 for miscellaneous employees was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2011, actuarial valuation using the entry age normal actuarial cost method.

Three-Year Trend Information for PERS - Miscellaneous Plan

Fiscal Year	Annual Pension Cost (APC)*	Percentage of APC Contributed	Net Pension Obligations
6/30/2011	\$ 808,988	100%	\$ -
6/30/2012	1,107,308	100%	-
6/30/2013	1,226,999	100%	-

* Employer contribution

The summary of principal assumptions and methods used to determine the ARC is shown below:

Valuation date:	June 30, 2011
Actuarial Cost Method:	Entry Age Normal Cost Method
Amortized Method:	Level Percent of Payroll
Average Remaining Period:	28 Years as the of the valuation date
Asset Valuation Method:	15 Year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return:	7.50% (net of administrative expenses)
Projected Salary Increases:	3.30% to 14.20% depending on Age, Service, and type of employment
Inflation	2.75%
Payroll Growth:	3.00%
Individual Salary Growth:	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a 30 year rolling period, which results in an amortization of about 6% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period.

CITY OF BANNING**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
JUNE 30, 2013**Note 12: City Employees Retirement Plan (Defined Benefit Pension Plan) (Continued)**

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

Actuarial Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a % of Covered Payroll
6/30/2009	\$ 45,252	\$ 36,376	\$ 8,876	80.4%	\$ 7,505	118.3%
6/30/2010	47,234	37,874	9,360	80.2%	7,082	132.2%
6/30/2011	51,555	39,621	11,934	76.9%	6,613	180.5%

Safety Plan**Plan Description**

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

Funding Policy

Police management participants are required to contribute 4.5% of their annual covered salary and the City contributes 4.5% towards the employees' share per MOU agreements. Subsequent to the year end, effective July 7, 2013, Police management participants will be required to contribute 9% and the City will not contribute towards their share. Non-management police participants are required to contribute 9% of their annual covered salary and the City does not contribute towards the employees' share. 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, 2013, was 38.783% for safety employees. Benefit provisions and all other requirements are established by State statute and City contract with employee bargaining groups.

Annual Pension Cost

For the year ended June 30, 2013, the City's annual pension cost (employer contribution) of \$942,606 for safety employees was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2011, actuarial valuation using the entry age normal actuarial cost method.

CITY OF BANNING**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
JUNE 30, 2013

Note 12: City Employees Retirement Plan (Defined Benefit Pension Plan) (Continued)

Three-Year Trend Information for PERS - Safety Plan			
Fiscal Year	Annual Pension Cost (APC)*	Percentage of APC Contributed	Net Pension Obligations
6/30/2011	\$ 821,715	100%	\$ -
6/30/2012	969,995	100%	-
6/30/2013	942,606	100%	-

* Employer contribution

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

b. PARS**Plan Description**

Effective July 2005, the City began participating in a Public Agency Retirement System (PARS) program, which is a defined contribution retirement plan for part-time, seasonal and temporary employees. A defined contribution retirement plan provides retirement benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive.

As established by the plan, all eligible employees of the City will become participants in the plan from the date they are hired. An eligible employee is any employee who, at any time during which the employer maintains this plan, is not accruing benefits under the Public Employees Retirement System.

Funding Plan

Contributions made to the plan vest immediately. As determined by the plan, all members must contribute 7.5% of their gross earnings to the plan. The City is not required to contribute.

Annual Contributions

The amount of employee contributions was \$7,958 (7.5% of covered payroll). Total payroll for employees covered under this plan for the year was \$106,114.

Note 13: Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are solely the property and rights of the employee. Participants' rights under the plan are equal to an amount equal to the fair market value of the deferred account for each participant.

The City has no liability for losses under the plan.

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2013

Note 14: Insurance Programs

The City maintains self-insurance programs for workers' compensation, general liability and wrongful employment practices. For general liability claims, the City is at risk for up to \$50,000 per occurrence; amounts in excess of \$50,000 up to \$50,000,000 are covered through the Public Entity Risk Management Authority (PERMA) and excess insurance. For workers' compensation claims, the City is at risk for up to \$250,000 per occurrence. Losses exceeding \$250,000 up to statutory limits are covered by the PERMA under their risk-sharing pool program and excess insurance. For wrongful employment practices claims, the City is at risk for up to \$25,000 per occurrence; amounts in excess of \$25,000 up to \$1,000,000 are covered through the Employment Risk Management Authority. 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, 2013, the amount of these liabilities was \$919,9812. The amount represents an estimate of \$912,919 for reported claims through June 30, 2013, and \$7,063 of estimate incurred but not reported claims. This liability is the City's best estimate based on available information. There are no significant reductions in insurance coverages from prior years and, also, there have been no settlements exceeding the insurance coverages for each of the past three fiscal years.

Changes in the reported liability since June 30, 2013, resulted from the following:

Year	Liability at Beginning of Fiscal Year	Current Year Claims and Changes in Estimates	Claim Payments	Liability at End of Fiscal Year
2012	\$ 926,590	\$ 560,020	\$ 569,190	\$ 917,420
2013	917,420	283,492	280,930	919,982

The City of Banning is a member of the Public Entity Risk Management Authority (a joint powers authority of 22 California cities, one Transit Agency and one other special district) which was established to pool resources, share risks, purchase excess insurance and share costs for professional risk management and claims administration. The City continues to carry commercial insurance for all other risks of loss.

Note 15: Commitments and Contingencies

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

CITY OF BANNING**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
JUNE 30, 2013

Note 15: Commitments and Contingencies (Continued)

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

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

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

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

The revenue generated by SCPPA from each participant will be used to service the debt on the Power Project Revenue Bonds issued by SCPPA in the amount of \$2,173,447,000. The City's portion of the outstanding debt of SCPPA as of June 30, 2013, (the most recent data available), was \$12,818,268.

The following audited financial data is presented as of and for the year ended June 30, 2013:

	Amounts (in thousands)
Total Assets	\$ 3,534
Total Liabilities	<u>3,597</u>
Total Net Assets	<u>\$ (63)</u>
Beginning Net Assets	\$ (129)
Total Revenues (including investment)	715
Total Expenses (including debt and loss on refunding)	(665)
Net Contributions (Withdrawals) by Participants	<u>16</u>
Ending Net Assets	<u>\$ (63)</u>

Separate audited financial statements for SCPPA are available from SCPPA.

CITY OF BANNING**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
JUNE 30, 2013**Note 15: Commitments and Contingencies (Continued)**

The following material construction commitments existed at June 30, 2013:

Project Name	Contract Amount	Expenditures to date as of June 30, 2013	Remaining Commitments
Sunset Grade Separation-Riv. Cty Transportation	\$ 4,200,000	\$ 3,871,249	\$ 328,751
Street lights - Wesco Dist	899,181	-	899,181
Corp Yard Block Wall - BW Simmons	1,169,883	423,740	746,143
	<u>\$ 6,269,064</u>	<u>\$ 4,294,989</u>	<u>\$ 1,974,075</u>

Note 16: Net Position/Fund Balance Restatements**Governmental Activities**

To write off Unamortized Cost of Issuance as of June 30, 2013,
due to the implementation of GASB 63 & 65 \$ (74,582)

Business-type/Proprietary Funds

To write off Unamortized Cost of Issuance as of June 30, 2013,
due to the implementation of GASB 63 & 65 \$ (1,662,759)
To correct the beginning balance for Utility Plant Accumulated
Depreciation (112,258)
\$ (1,775,017)

Note 17: Successor Agency Trust For Assets of Former Redevelopment Agency

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 ("the Bill") that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Banning that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the "successor agency" to hold the assets until they are distributed to other units of state and local government. On January 24, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of City resolution number 2012-01.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

CITY OF BANNING**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
JUNE 30, 2013

Note 17: Successor Agency Trust For Assets of Former Redevelopment Agency (Continued)

The Bill directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The City's position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

a. Cash and investments

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

Cash and investments pooled with the City	\$ 4,411,821
Cash and investments with fiscal agent	<u>11,195,415</u>
	<u><u>\$ 15,607,236</u></u>

b. Loans Receivable

The former redevelopment agency had entered into various loan agreements relating to owners participation agreements and various other loans receivable. The owners participation agreements have repayment terms between 6 and 55 years. The following summarizes the loans outstanding at June 30, 2013:

Description	Balance at June 30, 2013
Owners participation loans	\$ 5,177,888
Disposition and development agreements	<u>1,020,000</u>
Total loans receivable at June 30, 2013	<u><u>\$ 6,197,888</u></u>

During the Fiscal Year ending June 30, 2013, \$1,204,591 worth of rehabilitation and owner participation agreement loans were forgiven. These forgiven loans are reported as forgiven loan expense on the Statement of Changes in Fiduciary Net Position.

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 17: Successor Agency Trust For Assets of Former Redevelopment Agency (Continued)

c. Capital Assets

An analysis of capital assets as of June 30, 2013, follows:

	Balance				Balance
	July 1, 2012	Transfers	Additions	Deletions	June 30, 2013
Nondepreciable Assets:					
Land	\$ 3,283,270	\$ -	\$ -	\$ -	\$ 3,283,270
Construction-in-progress	515,352	(491,012)	7,995	-	32,335
Total nondepreciable assets	<u>3,798,622</u>	<u>(491,012)</u>	<u>7,995</u>	<u>-</u>	<u>3,315,605</u>
Depreciable Assets:					
Land Improvements	2,201,160	-	-	-	2,201,160
Building and Structures	1,803,606	26,486	-	-	1,830,092
Machinery and Equipment	28,378	-	-	-	28,378
Infrastructure	2,783,428	464,526	-	-	3,247,954
Total depreciable assets	<u>6,816,572</u>	<u>491,012</u>	<u>-</u>	<u>-</u>	<u>7,307,584</u>
Less Accumulated Depreciation					
Land Improvements	405,948	-	108,962	-	514,910
Building and Structures	105,313	-	52,390	-	157,703
Machinery and Equipment	28,378	-	-	-	28,378
Infrastructure	264,724	-	98,946	-	363,670
Total Accumulated Depreciation	<u>804,363</u>	<u>-</u>	<u>260,298</u>	<u>-</u>	<u>1,064,661</u>
Total depreciable assets, net	<u>6,012,209</u>	<u>491,012</u>	<u>(260,298)</u>	<u>-</u>	<u>6,242,923</u>
Capital Assets	<u><u>\$ 9,810,831</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (252,303)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 9,558,528</u></u>

d. Long-Term Debt

A description of long-term debt outstanding of the Successor Agency as of June 30, 2013, follows:

	Balance	July			Balance	Due Within
	1, 2012		Additions	Repayments	June 30, 2013	One Year
Fiduciary Funds:						
2003 Tax Allocation Bonds	\$ 11,000,000	\$ -	\$ 440,000	\$ 10,560,000	\$ 460,000	
2007 Tax Allocation Bonds	28,850,000	-	570,000	28,280,000	695,000	
Loans Payable	1,093,581	-	42,680	1,050,901	45,347	
City of Banning Electric Utility Fund	99,438	-	79,965	19,473	19,473	
SERAFL loan	2,298,433	-	-	2,298,433	-	
Total Fiduciary Funds	<u>\$ 43,341,452</u>	<u>\$ -</u>	<u>\$ 1,132,645</u>	<u>42,208,807</u>	<u>\$ 1,219,820</u>	
			Unamortized Premiums/Discounts	(700,668)		
			Total Long-term Debt	<u><u>\$ 41,508,139</u></u>		

e. 2003 Tax Allocation Bonds

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

CITY OF BANNING**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
JUNE 30, 2013

Note 17: Successor Agency Trust For Assets of Former Redevelopment Agency (Continued)

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

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

A reserve fund was established in the amount of \$971,763 from the bond proceeds for the benefit of the City and as security for the Bond owners. The bonds are further secured by a financial guarantee insurance policy. The bonds are a special obligation of the Banning Redevelopment Agency payable from tax revenues. The amount of bonds outstanding at June 30, 2013, totaled \$10,560,000.

Year Ending June 30,	Principal	Interest	Total
2014	\$ 460,000	\$ 497,995	\$ 957,995
2015	480,000	478,895	958,895
2016	500,000	458,370	958,370
2017	520,000	436,370	956,370
2018	545,000	412,733	957,733
2019 - 2023	3,135,000	1,635,735	4,770,735
2024 - 2028	3,995,000	749,875	4,744,875
2029 - 2033	<u>925,000</u>	<u>23,125</u>	<u>948,125</u>
Total	<u><u>\$ 10,560,000</u></u>	<u><u>\$ 4,693,098</u></u>	<u><u>\$ 15,253,098</u></u>

g. 2007 Tax Allocation Bonds

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

The bonds consist of serial bonds maturing in the years 2009 to 2030 payable August 1 in annual installments of \$245,000 to \$1,805,000. The bonds bear interest at 4.0% to 4.25%. Bonds maturing after August 1, 2030, in the amount of \$9,500,000 are term bonds and bear interest at 4.375%. Serial bonds maturing on or after August 1, 2014, are subject to redemption prior to maturity, in whole or in part at the option of the Agency from any available source of funds. Term bonds maturing on August 1, 2037, are subject to mandatory redemption in part or by lot from sinking fund payments made by the Agency. The amount of bonds outstanding at June 30, 2013, totaled \$28,280,000.

CITY OF BANNING**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
JUNE 30, 2013**Note 17: Successor Agency Trust For Assets of Former Redevelopment Agency (Continued)**

Year Ending June 30,	Principal	Interest	Total
2014	\$ 695,000	\$ 1,163,716	\$ 1,858,716
2015	710,000	1,137,391	1,847,391
2016	750,000	1,111,466	1,861,466
2017	780,000	1,083,829	1,863,829
2018	805,000	1,054,799	1,859,799
2019 - 2023	4,515,000	4,766,928	9,281,928
2024 - 2028	5,515,000	3,745,444	9,260,444
2029 - 2033	7,610,000	2,308,875	9,918,875
2034 - 2038	6,900,000	736,313	7,636,313
Total	<u>\$ 28,280,000</u>	<u>\$ 17,108,761</u>	<u>\$ 45,388,761</u>

h. Loan Payable – Glick

On August 27, 2008, the Agency entered into a promissory note. The note amount was \$200,000 and is subject to an interest rate of 6.5% per annum. The note is payable in fifteen annual installments of \$20,531. The principal amount of this note represents the agreed-upon amount for the purchase of real property. At June 30, 2013, the outstanding balance on the note payable is \$147,592.

Year Ending June 30,	Principal	Interest	Total
2014	\$ 10,937	\$ 9,593	\$ 20,530
2015	11,648	8,883	20,531
2016	12,405	8,125	20,530
2017	13,212	7,319	20,531
2018	14,070	6,460	20,530
2019 - 2023	85,320	17,335	102,655
Total	<u>\$ 147,592</u>	<u>\$ 57,715</u>	<u>\$ 205,307</u>

i. Loan Payable – DeZorzi

On July 29, 2009, the Agency purchased real property for \$1,253,393 located at 2301 W. Ramsey Street (APN 538-162-016-6) to provide public benefit in the future with private development. In order to finance the purchase, the Agency entered into a promissory note for the amount of \$1,020,000. The note is subject to a 6% interest rate and payable monthly in amounts of \$7,308 for seven years with the remaining balance to be paid off at the end of year seven. At June 30, 2013, the outstanding balance on the note payable is \$903,309.

CITY OF BANNING**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
JUNE 30, 2013**Note 17: Successor Agency Trust For Assets of Former Redevelopment Agency (Continued)**

Year Ending June 30,	Principal	Interest	Total
2014	\$ 34,410	\$ 57,751	\$ 92,161
2015	36,532	51,159	87,691
2016	38,649	49,041	87,690
2017	<u>793,718</u>	<u>4,045</u>	<u>797,763</u>
Total	<u>\$ 903,309</u>	<u>\$ 161,996</u>	<u>\$ 1,065,305</u>

j. City Loans

During the fiscal year 1993-1994 the City of Banning's Electric Utility Fund advanced funds to the Agency in order to assist in the implementation of the Owner Participation Agreement with Colescott, Inc. for the development of the Sunset Auto Plaza. The loan agreement is subject to a 5% interest rate and payable in 20 years. As of June 30, 2013, the outstanding balance is \$19,473.

The following schedule illustrates the debt service requirements to maturity for the City Loans outstanding as of June 30, 2013:

	City Loans		
	Principal	Interest	Total
2013-2014	\$ 19,473	\$ 141	\$ 19,614

k. Supplement Education Augmentation Fund (SERAFF) Loan

The advance for \$2,298,433 from the Low and Moderate Income Housing Fund to the Redevelopment Agency Debt Service Fund was made to fund the mandated payment for the "Supplemental" Educational Revenue Augmentation Fund.

I. Pledged Revenue

The City pledged, as security for bonds issued, either directly or through the Financing Authority, a portion of tax increment revenue (including Low and Moderate Income Housing set-aside and pass through allocations) that it receives. The bonds issued were to provide financing for various capital projects, accomplish Low and Moderate Income Housing projects and to defease previously issued bonds. Assembly Bill 1X 26 provided that upon dissolution of the Redevelopment Agency, property taxes allocated to redevelopment agencies no longer are deemed tax increment but rather property tax revenues and will be allocated first to successor agencies to make payments on the indebtedness incurred by the dissolved redevelopment agency. Total principal and interest remaining on the debt is \$60,641,859 with annual debt service requirements as indicated above. For the current year, the total property tax revenue recognized by the Successor Agency for the payment of indebtedness incurred by the dissolved redevelopment agency was \$3,309,848 and the debt service obligation on the bonds was \$2,717,211.

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 17: Successor Agency Trust For Assets of Former Redevelopment Agency (Continued)

m. Insurance

The Successor Agency is covered under the City of Banning's insurance policies. Therefore, the limitation and self-insured retentions applicable to the City also apply to the Successor Agency. Additional information as to coverage and self-insured retentions can be found in Note 14.

n. Commitments and Contingencies

At June 30, 2013, the Successor Agency was involved as a defendant in several lawsuits arising out of the ordinary conduct of its affairs. It is the opinion of management that settlements of these lawsuits, including losses for claims that are incurred but not reported, if any, will not have a material effect on the financial position of the Successor Agency.

o. Net Position/Fund Balance Restatements

Fiduciary Funds

To write off Unamortized Cost of Issuance as of	
June 30, 2013, due to the implementation of GASB 63 & 65.	<u><u>\$(1,238,867)</u></u>

CITY OF BANNING

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013

Special Revenue Funds					
	Gas Tax Street	Measure A	SB 300 Street	Article 3 Sidewalk	
Assets:					
Pooled cash and investments	\$ 589,605	\$ 1,266,383	\$ 93,103	\$ 13,254	
Receivables:					
Accounts	268	-	-	-	-
Loans	340	-	-	-	-
Interest	247	484	55	5	
Due from other governments	61,304	92,912	-	-	
Restricted assets:					
Cash and investments with fiscal agents	-	-	-	-	-
Total Assets	<u>\$ 651,764</u>	<u>\$ 1,359,779</u>	<u>\$ 93,158</u>	<u>\$ 13,259</u>	
Liabilities, Deferred Inflows of Resources, and Fund Balances:					
Liabilities:					
Accounts payable	\$ 14,601	\$ 32,671	\$ -	\$ -	-
Accrued liabilities	9,123	-	-	-	-
Deposits payable	95,961	-	-	-	-
Due to other funds	-	-	-	-	-
Total Liabilities	<u>119,685</u>	<u>32,671</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources:					
Unavailable revenues	-	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:					
Nonspendable:					
Loans Receivable	340	-	-	-	-
Restricted for:					
Community development projects	-	-	-	-	-
Public safety	-	-	-	-	-
Parks and recreation	-	-	-	-	-
Public works	531,739	1,327,108	-	-	-
Capital Projects	-	-	93,158	13,259	
Assigned to:					
Capital Projects	-	-	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>532,079</u>	<u>1,327,108</u>	<u>93,158</u>	<u>13,259</u>	
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 651,764</u>	<u>\$ 1,359,779</u>	<u>\$ 93,158</u>	<u>\$ 13,259</u>	

CITY OF BANNING

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013

(CONTINUED)

	Special Revenue Funds			
	Community Development Block Grant	Landscape Maintenance District	AQMD Air Pollution Program	Asset Forfeiture
Assets:				
Pooled cash and investments	\$ 1	\$ 218,481	\$ 196,556	\$ 2,498
Receivables:				
Accounts	-	-	-	-
Loans	-	-	-	-
Interest	-	84	78	1
Due from other governments	-	3,116	9,465	-
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
Total Assets	\$ 1	\$ 221,681	\$ 206,099	\$ 2,499
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ 4,614	\$ -	\$ -
Accrued liabilities	-	-	-	-
Deposits payable	-	-	-	-
Due to other funds	-	-	-	-
Total Liabilities	-	4,614	-	-
Deferred Inflows of Resources:				
Unavailable revenues	-	1,706	-	-
Total Deferred Inflows of Resources	-	1,706	-	-
Fund Balances:				
Nonspendable:				
Loans Receivable	-	-	-	-
Restricted for:				
Community development projects	1	-	-	-
Public safety	-	-	-	2,499
Parks and recreation	-	-	-	-
Public works	-	-	206,099	-
Capital Projects	-	215,361	-	-
Assigned to:				
Capital Projects	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	1	215,361	206,099	2,499
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1	\$ 221,681	\$ 206,099	\$ 2,499

CITY OF BANNING

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013

	Special Revenue Funds			
	Supplemental Law Enforcement	Public Safety Sales Tax	State Park Bond Act	Special Donations
Assets:				
Pooled cash and investments	\$ 106,165	\$ -	\$ 933	\$ 22,514
Receivables:				
Accounts	-	-	-	1,000
Loans	-	-	-	-
Interest	25	-	-	-
Due from other governments	25,000	-	-	-
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
Total Assets	\$ 131,190	\$ -	\$ 933	\$ 23,514
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ 20,000	\$ -	\$ -	\$ 618
Accrued liabilities	-	-	-	-
Deposits payable	-	-	-	4,483
Due to other funds	-	-	-	-
Total Liabilities	20,000	-	-	5,101
Deferred Inflows of Resources:				
Unavailable revenues	25,000	-	-	-
Total Deferred Inflows of Resources	25,000	-	-	-
Fund Balances:				
Nonspendable:				
Loans Receivable	-	-	-	-
Restricted for:				
Community development projects	-	-	-	-
Public safety	86,190	-	-	-
Parks and recreation	-	-	-	18,413
Public works	-	-	-	-
Capital Projects	-	-	933	-
Assigned to:				
Capital Projects	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	86,190	-	933	18,413
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 131,190	\$ -	\$ 933	\$ 23,514

CITY OF BANNING

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013

(CONTINUED)

	Special Revenue Funds			
	Senior Center Activities	Animal Control Reserve	Police Volunteer	Ramsey/Highland Home Signal
Assets:				
Pooled cash and investments	\$ 60,051	\$ 4,894	\$ 2,848	\$ 80,515
Receivables:				
Accounts	-	-	-	-
Loans	-	-	-	-
Interest	25	2	1	33
Due from other governments	-	-	-	-
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
Total Assets	\$ 60,076	\$ 4,896	\$ 2,849	\$ 80,548
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ 850	\$ -	\$ 15	\$ -
Accrued liabilities	-	-	-	-
Deposits payable	-	-	-	-
Due to other funds	-	-	-	-
Total Liabilities	850	-	15	-
Deferred Inflows of Resources:				
Unavailable revenues	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-
Fund Balances:				
Nonspendable:				
Loans Receivable	-	-	-	-
Restricted for:				
Community development projects	-	-	-	-
Public safety	-	4,896	2,834	-
Parks and recreation	59,226	-	-	-
Public works	-	-	-	80,548
Capital Projects	-	-	-	-
Assigned to:				
Capital Projects	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	59,226	4,896	2,834	80,548
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 60,076	\$ 4,896	\$ 2,849	\$ 80,548

CITY OF BANNING

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013

	Special Revenue Funds				Capital Projects Funds
	Wilson Median Improvement	Riverside County MOU	Banning Housing Authority	Police Facilities Development	
Assets:					
Pooled cash and investments	\$ 376,754	\$ 151,219	\$ 498,915	\$ 33,909	
Receivables:					
Accounts	-	-	-	-	
Loans	-	-	1,120,606	-	
Interest	156	92	226	14	
Due from other governments	-	95,815	2,298,433	-	
Restricted assets:					
Cash and investments with fiscal agents	-	-	-	-	
Total Assets	\$ 376,910	\$ 247,126	\$ 3,918,180	\$ 33,923	
Liabilities, Deferred Inflows of Resources, and Fund Balances:					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ 11,920	\$ -	
Accrued liabilities	-	12,756	-	-	
Deposits payable	-	-	-	-	
Due to other funds	-	-	-	-	
Total Liabilities	-	12,756	11,920	-	
Deferred Inflows of Resources:					
Unavailable revenues	-	-	1,120,606	-	
Total Deferred Inflows of Resources	-	-	1,120,606	-	
Fund Balances:					
Nonspendable:					
Loans Receivable	-	-	1,120,606	-	
Restricted for:					
Community development projects	-	-	1,665,048	-	
Public safety	-	234,370	-	-	
Parks and recreation	-	-	-	-	
Public works	376,910	-	-	-	
Capital Projects	-	-	-	-	
Assigned to:					
Capital Projects	-	-	-	33,923	
Unassigned					
Total Fund Balances	376,910	234,370	2,785,654	33,923	
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 376,910	\$ 247,126	\$ 3,918,180	\$ 33,923	

CITY OF BANNING

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013

(CONTINUED)

	Capital Projects Funds			
	Fire Facilities Development	Traffic Control Facilities	General Facilities	Park Development
Assets:				
Pooled cash and investments	\$ 931,631	\$ 423,577	\$ 475,558	\$ 155,675
Receivables:				
Accounts	-	-	-	-
Loans	-	-	-	-
Interest	385	175	196	64
Due from other governments	-	-	-	-
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
Total Assets	\$ 932,016	\$ 423,752	\$ 475,754	\$ 155,739
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 1,075	\$ -
Accrued liabilities	-	-	-	-
Deposits payable	-	-	-	-
Due to other funds	-	-	-	-
Total Liabilities	-	-	1,075	-
Deferred Inflows of Resources:				
Unavailable revenues	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-
Fund Balances:				
Nonspendable:				
Loans Receivable	-	-	-	-
Restricted for:				
Community development projects	-	-	-	-
Public safety	-	-	-	-
Parks and recreation	-	-	-	-
Public works	-	-	-	-
Capital Projects	-	-	-	-
Assigned to:				
Capital Projects	932,016	423,752	474,679	155,739
Unassigned				
Total Fund Balances	932,016	423,752	474,679	155,739
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 932,016	\$ 423,752	\$ 475,754	\$ 155,739

CITY OF BANNING

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013

	Capital Projects Funds		Total Governmental Funds
	Capital Improvement	Sunset Grade Separation	
Assets:			
Pooled cash and investments	\$ 15	\$ 5	\$ 5,705,059
Receivables:			
Accounts	-	-	1,268
Loans	-	-	1,120,946
Interest	-	-	2,348
Due from other governments	-	2,019,912	4,605,957
Restricted assets:			
Cash and investments with fiscal agents	657,479	-	657,479
Total Assets	\$ 657,494	\$ 2,019,917	\$ 12,093,057
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable	\$ -	\$ 750,090	\$ 836,454
Accrued liabilities	-	-	21,879
Deposits payable	-	-	100,444
Due to other funds	19,300	1,536,400	1,555,700
Total Liabilities	19,300	2,286,490	2,514,477
Deferred Inflows of Resources:			
Unavailable revenues	-	2,019,912	3,167,224
Total Deferred Inflows of Resources	-	2,019,912	3,167,224
Fund Balances:			
Nonspendable:			
Loans Receivable	-	-	1,120,946
Restricted for:			
Community development projects	-	-	1,665,049
Public safety	-	-	330,789
Parks and recreation	-	-	77,639
Public works	-	-	2,522,404
Capital Projects	-	-	322,711
Assigned to:			
Capital Projects	638,194	-	2,658,303
Unassigned			
Total Fund Balances	638,194	(2,286,485)	6,411,356
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 657,494	\$ 2,019,917	\$ 12,093,057

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF BANNING

COMBINING STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2013

Special Revenue Funds				
	Gas Tax Street	Measure A	SB 300 Street	Article 3 Sidewalk
Revenues:				
Taxes	\$ -	\$ 477,885	\$ -	\$ -
Intergovernmental	677,849	-	-	-
Charges for services	-	-	-	-
Use of money and property	393	1,492	143	(55)
Contributions	-	-	-	-
Miscellaneous	1,036	-	-	-
Total Revenues	679,278	479,377	143	(55)
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Community development	-	-	-	-
Parks and recreation	-	-	-	-
Public works	996,397	99,965	-	-
Capital outlay	268	-	-	-
Total Expenditures	996,665	99,965	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(317,387)	379,412	143	(55)
Other Financing Sources (Uses):				
Transfers in	164,325	54,844	-	-
Transfers out	-	-	(54,844)	-
Total Other Financing Sources (Uses)	164,325	54,844	(54,844)	-
Net Change in Fund Balances	(153,062)	434,256	(54,701)	(55)
Fund Balances, Beginning of Year	685,141	892,852	147,859	13,314
Fund Balances, End of Year	\$ 532,079	\$ 1,327,108	\$ 93,158	\$ 13,259

CITY OF BANNING

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

(CONTINUED)

	Special Revenue Funds			
	Community Development Block Grant	Landscape Maintenance District	AQMD Air Pollution Program	Asset Forfeiture
Revenues:				
Taxes	\$ -	\$ 132,440	\$ -	\$ -
Intergovernmental	5,275	-	36,147	-
Charges for services	-	-	-	-
Use of money and property	-	178	204	3
Contributions	-	-	-	-
Miscellaneous	-	-	-	-
Total Revenues	5,275	132,618	36,351	3
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Community development	-	-	-	-
Parks and recreation	-	-	-	-
Public works	-	134,223	3,000	-
Capital outlay	-	-	-	-
Total Expenditures	-	134,223	3,000	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,275	(1,605)	33,351	3
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	5,275	(1,605)	33,351	3
Fund Balances, Beginning of Year	(5,274)	216,966	172,748	2,496
Fund Balances, End of Year	\$ 1	\$ 215,361	\$ 206,099	\$ 2,499

CITY OF BANNING

COMBINING STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2013

	Special Revenue Funds			
	Supplemental Law Enforcement	Public Safety Sales Tax	State Park Bond Act	Special Donations
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	75,000	-	-	-
Charges for services	-	-	-	-
Use of money and property	37	(1)	-	-
Contributions	-	-	-	17,435
Miscellaneous	-	-	-	-
Total Revenues	75,037	(1)	-	17,435
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	10,117	-	-	-
Community development	-	-	-	-
Parks and recreation	-	-	-	18,026
Public works	-	-	-	-
Capital outlay	231,880	-	-	5,358
Total Expenditures	241,997	-	-	23,384
Excess (Deficiency) of Revenues Over (Under) Expenditures	(166,960)	(1)	-	(5,949)
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	(24,628)	-	(459)
Total Other Financing Sources (Uses)	-	(24,628)	-	(459)
Net Change in Fund Balances	(166,960)	(24,629)	-	(6,408)
Fund Balances, Beginning of Year	253,150	24,629	933	24,821
Fund Balances, End of Year	\$ 86,190	\$ -	\$ 933	\$ 18,413

CITY OF BANNING

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

(CONTINUED)

	Special Revenue Funds			
	Senior Center Activities	Animal Control Reserve	Police Volunteer	Ramsey/Highland Home Signal
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for services	100	-	-	-
Use of money and property	61	4	4	82
Contributions	2,680	-	-	-
Miscellaneous	1,874	-	-	-
Total Revenues	4,715	4	4	82
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	863	-
Community development	-	-	-	-
Parks and recreation	9,744	-	-	-
Public works	-	-	-	-
Capital outlay	3,349	-	-	-
Total Expenditures	13,093	-	863	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(8,378)	4	(859)	82
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	(8,378)	4	(859)	82
Fund Balances, Beginning of Year	67,604	4,892	3,693	80,466
Fund Balances, End of Year	\$ 59,226	\$ 4,896	\$ 2,834	\$ 80,548

CITY OF BANNING

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	Special Revenue Funds			Capital Projects Funds
	Wilson Median Improvement	Riverside County MOU	Banning Housing Authority	Police Facilities Development
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	545,815	-	-
Charges for services	-	-	-	-
Use of money and property	386	(117)	(65)	34
Contributions	-	-	-	-
Miscellaneous	-	-	-	-
Total Revenues	386	545,698	(65)	34
Expenditures:				
Current:				
General government	-	-	1,822,344	-
Public safety	-	550,531	-	-
Community development	-	-	136,878	-
Parks and recreation	-	-	-	-
Public works	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	-	550,531	1,959,222	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	386	(4,833)	(1,959,287)	34
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	386	(4,833)	(1,959,287)	34
Fund Balances, Beginning of Year	376,524	239,203	4,744,941	33,889
Fund Balances, End of Year	\$ 376,910	\$ 234,370	\$ 2,785,654	\$ 33,923

CITY OF BANNING

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

(CONTINUED)

Capital Projects Funds				
	Fire Facilities Development	Traffic Control Facilities	General Facilities	Park Development
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Use of money and property	954	435	485	158
Contributions	-	-	-	-
Miscellaneous	-	-	-	-
Total Revenues	954	435	485	158
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Community development	-	-	-	-
Parks and recreation	-	-	-	-
Public works	-	-	-	-
Capital outlay	-	-	1,075	-
Total Expenditures	-	-	1,075	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	954	435	(590)	158
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	954	435	(590)	158
Fund Balances, Beginning of Year	931,062	423,317	475,269	155,581
Fund Balances, End of Year	\$ 932,016	\$ 423,752	\$ 474,679	\$ 155,739

CITY OF BANNING

COMBINING STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2013

Capital Projects Funds

	Capital Improvement	Sunset Grade Separation	Total Governmental Funds
Revenues:			
Taxes	\$ -	\$ -	\$ 610,325
Intergovernmental	-	266,852	1,606,938
Charges for services	-	-	100
Use of money and property	513	(337)	4,991
Contributions	-	-	20,115
Miscellaneous	-	-	2,910
Total Revenues	513	266,515	2,245,379
Expenditures:			
Current:			
General government	-	-	1,822,344
Public safety	-	-	561,511
Community development	-	-	136,878
Parks and recreation	-	-	27,770
Public works	-	-	1,233,585
Capital outlay	26,624	1,781,680	2,050,234
Total Expenditures	26,624	1,781,680	5,832,322
Excess (Deficiency) of Revenues Over (Under) Expenditures	(26,111)	(1,515,165)	(3,586,943)
Other Financing Sources (Uses):			
Transfers in	3,352	-	222,521
Transfers out	-	-	(79,931)
Total Other Financing Sources (Uses)	3,352	-	142,590
Net Change in Fund Balances	(22,759)	(1,515,165)	(3,444,353)
Fund Balances, Beginning of Year	660,953	(771,320)	9,855,709
Fund Balances, End of Year	\$ 638,194	\$ (2,286,485)	\$ 6,411,356

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
GAS TAX STREET
YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 685,141	\$ 685,141	\$ 685,141	\$ -
Resources (Inflows):				
Intergovernmental	1,171,301	751,000	677,849	(73,151)
Use of money and property	3,675	3,675	393	(3,282)
Miscellaneous	2,300	1,500	1,036	(464)
Transfers in	164,325	164,325	164,325	-
Amounts Available for Appropriation				
	2,026,742	1,605,641	1,528,744	(76,897)
Charges to Appropriation (Outflow):				
Public works	1,010,331	996,082	996,397	(315)
Capital outlay	-	-	268	(268)
Transfers out	420,301	-	-	-
Total Charges to Appropriations				
	1,430,632	996,082	996,665	(583)
Budgetary Fund Balance, June 30				
	\$ 596,110	\$ 609,559	\$ 532,079	\$ (77,480)

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
MEASURE A
YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Budgetary Fund Balance, July 1	\$ 892,852	\$ 892,852	\$ 892,852	\$ -
Resources (Inflows):				
Taxes	398,000	398,000	477,885	79,885
Intergovernmental	-	-	-	-
Use of money and property	8,000	8,000	1,492	(6,508)
Transfers in	420,301	77,190	54,844	(22,346)
Amounts Available for Appropriation	1,719,153	1,376,042	1,427,073	51,031
Charges to Appropriation (Outflow):				
Public works	60,000	137,190	99,965	37,225
Capital outlay	1,000,000	-	-	-
Total Charges to Appropriations	1,060,000	137,190	99,965	37,225
Budgetary Fund Balance, June 30	\$ 659,153	\$ 1,238,852	\$ 1,327,108	\$ 88,256

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
SB 300 STREET
YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Budgetary Fund Balance, July 1	\$ 147,859	\$ 147,859	\$ 147,859	\$ -
Resources (Inflows):				
Use of money and property	725	725	143	(582)
Amounts Available for Appropriation	148,584	148,584	148,002	(582)
Transfers out	-	77,190	54,844	22,346
Total Charges to Appropriations	-	77,190	54,844	22,346
Budgetary Fund Balance, June 30	\$ 148,584	\$ 71,394	\$ 93,158	\$ 21,764

CITY OF BANNING**BUDGETARY COMPARISON SCHEDULE**
ARTICLE 3 SIDEWALK
YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget	Positive (Negative)
	Original	Final			
Budgetary Fund Balance, July 1	\$ 13,314	\$ 13,314	\$ 13,314	\$ -	-
Resources (Inflows):					
Use of money and property	300	300	(55)	(355)	
Amounts Available for Appropriation	13,614	13,614	13,259	(355)	
Budgetary Fund Balance, June 30	\$ 13,614	\$ 13,614	\$ 13,259	\$ (355)	

CITY OF BANNING**BUDGETARY COMPARISON SCHEDULE
COMMUNITY DEVELOPMENT BLOCK GRANT
YEAR ENDED JUNE 30, 2013**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (5,274)	\$ (5,274)	\$ (5,274)	\$ -
Resources (Inflows):				
Intergovernmental	-	15,274	5,275	(9,999)
Amounts Available for Appropriation	(5,274)	10,000	1	(9,999)
Budgetary Fund Balance, June 30	\$ (5,274)	\$ 10,000	\$ 1	\$ (9,999)

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
 LANDSCAPE MAINTENANCE DISTRICT
 YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 216,966	\$ 216,966	\$ 216,966	\$ -
Resources (Inflows):				
Taxes	132,724	132,724	132,440	(284)
Use of money and property	750	750	178	(572)
Amounts Available for Appropriation				
	350,440	350,440	349,584	(856)
Charges to Appropriation (Outflow):				
Public works	138,246	137,846	134,223	3,623
Total Charges to Appropriations				
	138,246	137,846	134,223	3,623
Budgetary Fund Balance, June 30	\$ 212,194	\$ 212,594	\$ 215,361	\$ 2,767

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
 AQMD AIR POLLUTION PROGRAM
 YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Budgetary Fund Balance, July 1	\$ 172,748	\$ 172,748	\$ 172,748	\$ -
Resources (Inflows):				
Intergovernmental	20,000	20,000	36,147	16,147
Use of money and property	250	250	204	(46)
Amounts Available for Appropriation	192,998	192,998	209,099	16,101
Charges to Appropriation (Outflow):				
Public works	3,000	3,000	3,000	-
Total Charges to Appropriations	3,000	3,000	3,000	-
Budgetary Fund Balance, June 30	\$ 189,998	\$ 189,998	\$ 206,099	\$ 16,101

CITY OF BANNING**BUDGETARY COMPARISON SCHEDULE
ASSET FORFEITURE
YEAR ENDED JUNE 30, 2013**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
	\$ 2,496	\$ 2,496		
Budgetary Fund Balance, July 1	\$ 2,496	\$ 2,496	\$ 2,496	\$ -
Resources (Inflows):				
Use of money and property	-	-	3	3
Amounts Available for Appropriation	2,496	2,496	2,499	3
Budgetary Fund Balance, June 30	\$ 2,496	\$ 2,496	\$ 2,499	\$ 3

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
SUPPLEMENTAL LAW ENFORCEMENT
YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 253,150	\$ 253,150	\$ 253,150	\$ -
Resources (Inflows):				
Intergovernmental	-	100,000	75,000	(25,000)
Use of money and property	-	365	37	(328)
 Amounts Available for Appropriation	253,150	353,515	328,187	(25,328)
Charges to Appropriation (Outflow):				
Public safety	-	2,616	10,117	(7,501)
Capital outlay	-	243,320	231,880	11,440
 Total Charges to Appropriations	-	245,936	241,997	3,939
Budgetary Fund Balance, June 30	\$ 253,150	\$ 107,579	\$ 86,190	\$ (21,389)

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
PUBLIC SAFETY SALES TAX
YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Budgetary Fund Balance, July 1	\$ 24,629	\$ 24,629	\$ 24,629	\$ -
Resources (Inflows):				
Use of money and property	-	4	(1)	(5)
Amounts Available for Appropriation	24,629	24,633	24,628	(5)
Charges to Appropriation (Outflow):				
Transfers out	22,537	24,633	24,628	5
Total Charges to Appropriations	22,537	24,633	24,628	5
Budgetary Fund Balance, June 30	\$ 2,092	\$ -	\$ -	\$ -

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
SPECIAL DONATIONS
YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 24,821	\$ 24,821	\$ 24,821	\$ -
Resources (Inflows):				
Miscellaneous	-	-	-	-
Amounts Available for Appropriation	31,571	43,961	42,256	(1,705)
Charges to Appropriation (Outflow):				
Parks and recreation	5,500	18,843	18,026	817
Capital outlay	-	5,358	5,358	-
Transfers out	-	-	459	(459)
Total Charges to Appropriations	5,500	24,201	23,843	358
Budgetary Fund Balance, June 30	\$ 26,071	\$ 19,760	\$ 18,413	\$ (1,347)

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
SENIOR CENTER ACTIVITIES
YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Budgetary Fund Balance, July 1	\$ 67,604	\$ 67,604	\$ 67,604	\$ -
Resources (Inflows):				
Charges for services	200	200	100	(100)
Use of money and property	500	500	61	(439)
Contributions	2,800	2,800	2,680	(120)
Miscellaneous	300	-	1,874	1,874
Amounts Available for Appropriation	71,404	71,104	72,319	1,215
Charges to Appropriation (Outflow):				
Parks and recreation	12,750	12,470	9,744	2,726
Capital outlay	-	2,965	3,349	(384)
Total Charges to Appropriations	12,750	15,435	13,093	2,342
Budgetary Fund Balance, June 30	\$ 58,654	\$ 55,669	\$ 59,226	\$ 3,557

CITY OF BANNING**BUDGETARY COMPARISON SCHEDULE
ANIMAL CONTROL RESERVE
YEAR ENDED JUNE 30, 2013**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
	\$ 4,892	\$ 4,892		
Budgetary Fund Balance, July 1	\$ 4,892	\$ 4,892	\$ 4,892	\$ -
Resources (Inflows):				
Use of money and property	-	-	4	4
Amounts Available for Appropriation	4,892	4,892	4,896	4
Budgetary Fund Balance, June 30	\$ 4,892	\$ 4,892	\$ 4,896	\$ 4

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
POLICE VOLUNTEER
YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Budgetary Fund Balance, July 1	\$ 3,693	\$ 3,693	\$ 3,693	\$ -
Resources (Inflows):				
Use of money and property	-	-	4	4
Amounts Available for Appropriation	3,693	3,693	3,697	4
Charges to Appropriation (Outflow):				
Public safety	1,080	1,080	863	217
Total Charges to Appropriations	1,080	1,080	863	217
Budgetary Fund Balance, June 30	\$ 2,613	\$ 2,613	\$ 2,834	\$ 221

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
 RAMSEY/HIGHLAND HOME SIGNAL
 YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
Budgetary Fund Balance, July 1	\$ 80,466	\$ 80,466	\$ 80,466	\$ -
Resources (Inflows):				
Use of money and property	150	150	82	(68)
Amounts Available for Appropriation	80,616	80,616	80,548	(68)
Budgetary Fund Balance, June 30	\$ 80,616	\$ 80,616	\$ 80,548	\$ (68)

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
WILSON MEDIAN IMPROVEMENT
YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Budgetary Fund Balance, July 1	\$ 376,524	\$ 376,524	\$ 376,524	\$ -
Resources (Inflows):				
Use of money and property	500	500	386	(114)
Amounts Available for Appropriation	377,024	377,024	376,910	(114)
Budgetary Fund Balance, June 30	\$ 377,024	\$ 377,024	\$ 376,910	\$ (114)

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
RIVERSIDE COUNTY MOU
YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 239,203	\$ 239,203	\$ 239,203	\$ -
Resources (Inflows):				
Intergovernmental	450,000	450,000	545,815	95,815
Use of money and property	1,000	1,000	(117)	(1,117)
Amounts Available for Appropriation	690,203	690,203	784,901	94,698
Charges to Appropriation (Outflow):				
Public safety	563,990	555,868	550,531	5,337
Total Charges to Appropriations	563,990	555,868	550,531	5,337
Budgetary Fund Balance, June 30	\$ 126,213	\$ 134,335	\$ 234,370	\$ 100,035

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
 BANNING HOUSING AUTHORITY
 YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
Budgetary Fund Balance, July 1	\$ 4,744,941	\$ 4,744,941	\$ 4,744,941	\$ -
Resources (Inflows):				
Use of money and property	-	2,400	(65)	(2,465)
Transfers in	-	150,000	-	(150,000)
Amounts Available for Appropriation	4,744,941	4,897,341	4,744,876	(152,465)
Charges to Appropriation (Outflow):				
General government	-	1,822,344	1,822,344	-
Community development	-	149,955	136,878	13,077
Total Charges to Appropriations	191,639	2,122,299	1,959,222	163,077
Budgetary Fund Balance, June 30	\$ 4,553,302	\$ 2,775,042	\$ 2,785,654	\$ 10,612

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
POLICE FACILITIES DEVELOPMENT
YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Budgetary Fund Balance, July 1	\$ 33,889	\$ 33,889	\$ 33,889	\$ -
Resources (Inflows):				
Use of money and property	-	100	34	(66)
Amounts Available for Appropriation	33,889	33,989	33,923	(66)
Budgetary Fund Balance, June 30	\$ 33,889	\$ 33,989	\$ 33,923	\$ (66)

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
FIRE FACILITIES DEVELOPMENT
YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Budgetary Fund Balance, July 1	\$ 931,062	\$ 931,062	\$ 931,062	\$ -
Resources (Inflows):				
Use of money and property	-	1,200	954	(246)
Amounts Available for Appropriation	931,062	932,262	932,016	(246)
Budgetary Fund Balance, June 30	\$ 931,062	\$ 932,262	\$ 932,016	\$ (246)

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
TRAFFIC CONTROL FACILITIES
YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Budgetary Fund Balance, July 1	\$ 423,317	\$ 423,317	\$ 423,317	\$ -
Resources (Inflows):				
Use of money and property	600	600	435	(165)
Amounts Available for Appropriation	428,917	423,917	423,752	(165)
Charges to Appropriation (Outflow):				
Public works	25,000	-	-	-
Capital outlay	10,000	-	-	-
Total Charges to Appropriations	35,000	-	-	-
Budgetary Fund Balance, June 30	\$ 393,917	\$ 423,917	\$ 423,752	\$ (165)

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
GENERAL FACILITIES
YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Budgetary Fund Balance, July 1	\$ 475,269	\$ 475,269	\$ 475,269	\$ -
Resources (Inflows):				
Use of money and property	-	1,200	485	(715)
Amounts Available for Appropriation	475,269	476,469	475,754	(715)
Charges to Appropriation (Outflow):				
Capital outlay	-	-	1,075	(1,075)
Total Charges to Appropriations	-	-	1,075	(1,075)
Budgetary Fund Balance, June 30	\$ 475,269	\$ 476,469	\$ 474,679	\$ (1,790)

CITY OF BANNING**BUDGETARY COMPARISON SCHEDULE
PARK DEVELOPMENT
YEAR ENDED JUNE 30, 2013**

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Budgetary Fund Balance, July 1	\$ 155,581	\$ 155,581	\$ 155,581	\$ -
Resources (Inflows):				
Use of money and property	250	250	158	(92)
Amounts Available for Appropriation	155,831	155,831	155,739	(92)
Budgetary Fund Balance, June 30	\$ 155,831	\$ 155,831	\$ 155,739	\$ (92)

CITY OF BANNING

**BUDGETARY COMPARISON SCHEDULE
CAPITAL IMPROVEMENT
YEAR ENDED JUNE 30, 2013**

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Budgetary Fund Balance, July 1	\$ 660,953	\$ 660,953	\$ 660,953	\$ -
Resources (Inflows):				
Use of money and property	-	600	513	(87)
Transfers in	-	3,352	3,352	-
Amounts Available for Appropriation	660,953	664,905	664,818	(87)
Charges to Appropriation (Outflow):				
Capital outlay	-	26,629	26,624	5
Total Charges to Appropriations	-	26,629	26,624	5
Budgetary Fund Balance, June 30	\$ 660,953	\$ 638,276	\$ 638,194	\$ (82)

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
SUNSET GRADE SEPARATION
YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Budgetary Fund Balance, July 1	\$ (771,320)	\$ (771,320)	\$ (771,320)	\$ -
Resources (Inflows):				
Intergovernmental	-	2,858,728	266,852	(2,591,876)
Use of money and property	-	-	(337)	(337)
Amounts Available for Appropriation	(771,320)	2,087,408	(504,805)	(2,592,213)
Charges to Appropriation (Outflow):				
Capital outlay	-	2,085,866	1,781,680	304,186
Total Charges to Appropriations	-	2,085,866	1,781,680	304,186
Budgetary Fund Balance, June 30	\$ (771,320)	\$ 1,542	\$ (2,286,485)	\$ (2,288,027)

CITY OF BANNING

COMBINING STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUNDS
JUNE 30, 2013

Business-Type Activities - Enterprise Funds					
	Airport	Transit	Refuse Utility	Totals	
Assets:					
Current:					
Cash and investments	\$ 178,192	\$ 304,231	\$ 441,879	\$ 924,302	
Receivables:					
Accounts	776	4,014	503,095	507,885	
Interest	69	150	180	399	
Due from other governments	10,867	38,377	8,316	57,560	
Inventories	<u>19,674</u>	<u>-</u>	<u>-</u>	<u>19,674</u>	
Total Current Assets	<u>209,578</u>	<u>346,772</u>	<u>953,470</u>	<u>1,509,820</u>	
Noncurrent:					
Capital assets - net of accumulated depreciation	<u>2,858,382</u>	<u>709,380</u>	<u>-</u>	<u>3,567,762</u>	
Total Noncurrent Assets	<u>2,858,382</u>	<u>709,380</u>	<u>-</u>	<u>3,567,762</u>	
Total Assets	<u>\$ 3,067,960</u>	<u>\$ 1,056,152</u>	<u>\$ 953,470</u>	<u>\$ 5,077,582</u>	
Liabilities and Net Position:					
Liabilities:					
Current:					
Accounts payable	\$ 8,803	\$ 15,402	\$ 192,970	\$ 217,175	
Accrued liabilities	1,087	18,093	3,124	22,304	
Unearned revenues	-	228,118	-	228,118	
Deposits payable	25,448	-	91,427	116,875	
Compensated absences	<u>3,835</u>	<u>55,923</u>	<u>28,252</u>	<u>88,010</u>	
Total Current Liabilities	<u>39,173</u>	<u>317,536</u>	<u>315,773</u>	<u>672,482</u>	
Noncurrent:					
Compensated absences	<u>2,749</u>	<u>40,091</u>	<u>20,253</u>	<u>63,093</u>	
Total Noncurrent Liabilities	<u>2,749</u>	<u>40,091</u>	<u>20,253</u>	<u>63,093</u>	
Total Liabilities	<u>41,922</u>	<u>357,627</u>	<u>336,026</u>	<u>735,575</u>	
Net Position:					
Net investment in capital assets	2,858,382	709,380	-	3,567,762	
Unrestricted	<u>167,656</u>	<u>(10,855)</u>	<u>617,444</u>	<u>774,245</u>	
Total Net Position	<u>3,026,038</u>	<u>698,525</u>	<u>617,444</u>	<u>4,342,007</u>	
Total Liabilities	<u>\$ 3,067,960</u>	<u>\$ 1,056,152</u>	<u>\$ 953,470</u>	<u>\$ 5,077,582</u>	

CITY OF BANNING

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
NONMAJOR PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013

Business-Type Activities - Enterprise Funds				
	Airport	Transit	Refuse Utility	Totals
Operating Revenues:				
Sales and service charges	\$ 195,007	\$ 155,314	\$ 3,177,173	\$ 3,527,494
Total Operating Revenues	195,007	155,314	3,177,173	3,527,494
Operating Expenses:				
Salaries and benefits	50,944	794,923	119,745	965,612
Supplies and services	159,485	428,451	2,750,513	3,338,449
Repairs and maintenance	6,930	1,606	-	8,536
Bad debt expense	-	-	12,960	12,960
Depreciation expense	175,615	266,618	1,312	443,545
Total Operating Expenses	392,974	1,491,598	2,884,530	4,769,102
Operating Income (Loss)	(197,967)	(1,336,284)	292,643	(1,241,608)
Nonoperating Revenues (Expenses):				
Intergovernmental	122,756	1,073,750	44,121	1,240,627
Interest revenue and change in fair value of investments	272	(120)	474	626
Miscellaneous	-	4,005	37,383	41,388
Total Nonoperating Revenues (Expenses)	123,028	1,077,635	81,978	1,282,641
Income (Loss) Before Transfers	(74,939)	(258,649)	374,621	41,033
Transfers out	-	-	(55,000)	(55,000)
Changes in Net Position	(74,939)	(258,649)	319,621	(13,967)
Net Position:				
Beginning of Year	3,100,977	957,174	297,823	4,355,974
End of Fiscal Year	\$ 3,026,038	\$ 698,525	\$ 617,444	\$ 4,342,007

CITY OF BANNING

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013

	Business-Type Activities - Enterprise Funds			
	Airport	Transit	Refuse Utility	Totals
Cash Flows from Operating Activities:				
Cash received from customers and users	\$ 193,236	\$ 152,150	\$ 3,089,541	\$ 3,434,927
Cash received from/(paid to) interfund service provided	139,693	158,549	(8,316)	289,926
Cash paid to suppliers for goods and services	(174,495)	(417,383)	(2,796,467)	(3,388,345)
Cash paid to employees for services	(50,348)	(781,659)	(118,290)	(950,297)
Net Cash Provided (Used) by Operating Activities	108,086	(888,343)	166,468	(613,789)
Cash Flows from Non-Capital Financing Activities:				
Cash transfers out	-	-	(55,000)	(55,000)
Intergovernmental	122,756	1,124,830	44,121	1,291,707
Miscellaneous	-	4,005	37,383	41,388
Net Cash Provided (Used) by Non-Capital Financing Activities	122,756	1,128,835	26,504	1,278,095
Cash Flows from Capital and Related Financing Activities:				
Acquisition and construction of capital assets	(133,927)	(18,036)	-	(151,963)
Net Cash Provided (Used) by Capital and Related Financing Activities	(133,927)	(18,036)	-	(151,963)
Cash Flows from Investing Activities:				
Interest received and change in fair value of investments	286	(162)	494	618
Net Cash Provided (Used) by Investing Activities	286	(162)	494	618
Net Increase (Decrease) in Cash and Cash Equivalents	97,201	222,294	193,466	512,961
Cash and Cash Equivalents at Beginning of Year	80,991	81,937	248,413	411,341
Cash and Cash Equivalents at End of Year	\$ 178,192	\$ 304,231	\$ 441,879	\$ 924,302
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ (197,967)	\$ (1,336,284)	\$ 292,643	\$ (1,241,608)
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:				
Depreciation	175,615	266,618	1,312	443,545
Bad debt expense	-	-	12,960	12,960
(Increase) decrease in accounts receivable	(221)	(3,164)	(92,009)	(95,394)
(Increase) decrease in due from other governments	139,693	158,549	(8,316)	289,926
(Increase) decrease in inventories	2,295	-	-	2,295
Increase (decrease) in accounts payable	(10,375)	12,674	(45,954)	(43,655)
Increase (decrease) in accrued liabilities	(184)	3,084	(336)	2,564
Increase (decrease) in deposits payable	(1,550)	-	4,377	2,827
Increase (decrease) in compensated absences	780	10,180	1,791	12,751
Total Adjustments	306,053	447,941	(126,175)	627,819
Net Cash Provided (Used) by Operating Activities	\$ 108,086	\$ (888,343)	\$ 166,468	\$ (613,789)

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF BANNING

COMBINING STATEMENT OF NET POSITION
 INTERNAL SERVICE FUNDS
 JUNE 30, 2013

Governmental Activities - Internal Service Funds			
	Self Insurance	Fleet Maintenance	Information Services
Assets:			
Current:			
Pooled cash and investments	\$ 3,029,928	\$ 676,198	\$ 159,778
Receivables:			
Accounts	-	9,188	139
Loans	-	-	-
Interest	344	282	68
Due from other governments	33,367	175	-
Inventories	-	65,197	-
Total Current Assets	3,063,639	751,040	159,985
Noncurrent:			
Capital assets - net of accumulated depreciation	-	316,921	119,824
Total Noncurrent Assets	-	316,921	119,824
Total Assets	\$ 3,063,639	\$ 1,067,961	\$ 279,809
Liabilities and Net Position:			
Liabilities:			
Current:			
Accounts payable	\$ 226,448	\$ 60,410	\$ 2,128
Accrued liabilities	6,318	6,999	6,150
Deposits payable	928	-	-
Compensated absences	16,672	21,215	20,194
Claims and judgments	281,714	-	-
Total Current Liabilities	532,080	88,624	28,472
Noncurrent:			
Compensated absences	14,852	37,126	14,081
Claims and judgments	638,267	-	-
Total Noncurrent Liabilities	653,119	37,126	14,081
Total Liabilities	1,185,199	125,750	42,553
Net Position:			
Net investment in capital assets	-	316,921	119,824
Unrestricted	1,878,440	625,290	117,432
Total Net Position	1,878,440	942,211	237,256
Total Liabilities	\$ 3,063,639	\$ 1,067,961	\$ 279,809

CITY OF BANNING

COMBINING STATEMENT OF NET POSITION
 INTERNAL SERVICE FUNDS
 JUNE 30, 2013

	Governmental Activities - Internal Service Funds	
	Utility Billing Services	Totals
Assets:		
Current:		
Pooled cash and investments	\$ 261,874	\$ 4,127,778
Receivables:		
Accounts	11,892	21,219
Loans	3,743	3,743
Interest	123	817
Due from other governments	-	33,542
Inventories	-	65,197
Total Current Assets	277,632	4,252,296
Noncurrent:		
Capital assets - net of accumulated depreciation	30,910	467,655
Total Noncurrent Assets	30,910	467,655
Total Assets	\$ 308,542	\$ 4,719,951
Liabilities and Net Position:		
Liabilities:		
Current:		
Accounts payable	\$ 9,473	\$ 298,459
Accrued liabilities	22,937	42,404
Deposits payable	-	928
Compensated absences	72,617	130,698
Claims and judgments	-	281,714
Total Current Liabilities	105,027	754,203
Noncurrent:		
Compensated absences	1,373	67,432
Claims and judgments	-	638,267
Total Noncurrent Liabilities	1,373	705,699
Total Liabilities	106,400	1,459,902
Net Position:		
Net investment in capital assets	30,910	467,655
Unrestricted	171,232	2,792,394
Total Net Position	202,142	3,260,049
Total Liabilities	\$ 308,542	\$ 4,719,951

CITY OF BANNING

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2013

	Governmental Activities - Internal Service Funds		
	Self Insurance	Fleet Maintenance	Information Services
Operating Revenues:			
Sales and service charges	\$ 2,465,521	\$ 1,133,814	\$ 388,610
Total Operating Revenues	2,465,521	1,133,814	388,610
Operating Expenses:			
Salaries and benefits	228,489	347,066	265,524
Supplies and services	1,192,275	654,157	37,778
Repairs and maintenance	1,700	110,487	88,566
Cost of sales and services	-	-	-
Insurance premiums	892,450	-	-
Depreciation expense	-	12,100	38,642
Total Operating Expenses	2,314,914	1,123,810	430,510
Operating Income (Loss)	150,607	10,004	(41,900)
Nonoperating Revenues (Expenses):			
Interest revenue and change in fair value	(15,711)	683	104
Miscellaneous	227,432	-	103
Gain (loss) on disposal of capital assets	-	576	-
Total Nonoperating Revenues (Expenses)	211,721	1,259	207
Changes in Net Position	362,328	11,263	(41,693)
Net Position:			
Beginning of Year	1,516,112	930,948	278,949
End of Fiscal Year	\$ 1,878,440	\$ 942,211	\$ 237,256

CITY OF BANNING

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2013

	Governmental Activities - Internal Service Funds	
	Utility Billing Services	Totals
Operating Revenues:		
Sales and service charges	\$ 1,507,511	\$ 5,495,456
Total Operating Revenues	1,507,511	5,495,456
Operating Expenses:		
Salaries and benefits	1,027,577	1,868,656
Supplies and services	429,410	2,313,620
Repairs and maintenance	40,543	241,296
Cost of sales and services	4,994	4,994
Insurance premiums	-	892,450
Depreciation expense	5,527	56,269
Total Operating Expenses	1,508,051	5,377,285
Operating Income (Loss)	(540)	118,171
Nonoperating Revenues (Expenses):		
Interest revenue and change in fair value	232	(14,692)
Miscellaneous	-	227,535
Gain (loss) on disposal of capital assets	-	576
Total Nonoperating Revenues (Expenses)	232	213,419
Changes in Net Position	(308)	331,590
Net Position:		
Beginning of Year	202,450	2,928,459
End of Fiscal Year	\$ 202,142	\$ 3,260,049

CITY OF BANNING

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2013

<u>Governmental Activities - Internal Service Funds</u>			
	<u>Self Insurance</u>	<u>Fleet Maintenance</u>	<u>Information Services</u>
Cash Flows from Operating Activities:			
Cash received from customers and users	\$ 2,465,521	\$ 1,154,656	\$ 388,471
Cash received from/(paid to) interfund service provided	(32,909)	812	-
Cash paid to suppliers for goods and services	(1,858,533)	(789,918)	(137,811)
Cash paid to employees for services	<u>(224,264)</u>	<u>(347,436)</u>	<u>(264,227)</u>
Net Cash Provided (Used) by Operating Activities	<u>349,815</u>	<u>18,114</u>	<u>(13,567)</u>
Cash Flows from Non-Capital Financing Activities:			
Miscellaneous	<u>227,432</u>	-	103
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>227,432</u>	-	103
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	-	-	(7,091)
Proceeds from sales of capital assets	<u>-</u>	<u>576</u>	<u>-</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>-</u>	<u>576</u>	<u>(7,091)</u>
Cash Flows from Investing Activities:			
Proceeds from repayments of notes and loans receivable	-	-	5,011
Issuance of notes and loans receivable	-	-	-
Interest received	<u>(15,569)</u>	<u>951</u>	<u>185</u>
Net Cash Provided (Used) by Investing Activities	<u>(15,569)</u>	<u>951</u>	<u>5,196</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>561,678</u>	<u>19,641</u>	<u>(15,359)</u>
Cash and Cash Equivalents at Beginning of Year	<u>2,468,250</u>	<u>656,557</u>	<u>175,137</u>
Cash and Cash Equivalents at End of Year	<u>\$ 3,029,928</u>	<u>\$ 676,198</u>	<u>\$ 159,778</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	<u>\$ 150,607</u>	<u>\$ 10,004</u>	<u>\$ (41,900)</u>
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:			
Depreciation	-	12,100	38,642
(Increase) decrease in accounts receivable	-	20,842	(139)
(Increase) decrease in due from other governments	(32,909)	812	-
(Increase) decrease in inventories	-	(4,482)	-
Increase (decrease) in accounts payable	225,331	(20,792)	(11,467)
Increase (decrease) in accrued liabilities	764	253	(299)
Increase (decrease) in claims and judgments	2,561	-	-
Increase (decrease) in compensated absences	<u>3,461</u>	<u>(623)</u>	<u>1,596</u>
Total Adjustments	<u>199,208</u>	<u>8,110</u>	<u>28,333</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 349,815</u>	<u>\$ 18,114</u>	<u>\$ (13,567)</u>

CITY OF BANNING

COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 YEAR ENDED JUNE 30, 2013

	<u>Governmental Activities - Internal Service Funds</u>	
	<u>Utility Billing Services</u>	<u>Totals</u>
Cash Flows from Operating Activities:		
Cash received from customers and users	\$ 1,508,859	\$ 5,517,507
Cash received from/(paid to) interfund service provided	-	(32,097)
Cash paid to suppliers for goods and services	(488,421)	(3,274,683)
Cash paid to employees for services	<u>(1,020,807)</u>	<u>(1,856,734)</u>
Net Cash Provided (Used) by Operating Activities	(369)	353,993
Cash Flows from Non-Capital Financing Activities:		
Miscellaneous	-	227,535
Net Cash Provided (Used) by Non-Capital Financing Activities	-	227,535
Cash Flows from Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(7,500)	(14,591)
Proceeds from sales of capital assets	-	576
Net Cash Provided (Used) by Capital and Related Financing Activities	(7,500)	(14,015)
Cash Flows from Investing Activities:		
Proceeds from repayments of notes and loans receivable	1,155	6,166
Issuance of notes and loans receivable	(4,046)	(4,046)
Interest received	<u>371</u>	<u>(14,062)</u>
Net Cash Provided (Used) by Investing Activities	(2,520)	(11,942)
Net Increase (Decrease) in Cash and Cash Equivalents	(10,389)	555,571
Cash and Cash Equivalents at Beginning of Year	<u>272,263</u>	<u>3,572,207</u>
Cash and Cash Equivalents at End of Year	\$ 261,874	\$ 4,127,778
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$ (540)	\$ 118,171
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:		
Depreciation	5,527	56,269
(Increase) decrease in accounts receivable	1,348	22,051
(Increase) decrease in due from other governments	-	(32,097)
(Increase) decrease in inventories	-	(4,482)
Increase (decrease) in accounts payable	(13,474)	179,598
Increase (decrease) in accrued liabilities	1,039	1,757
Increase (decrease) in claims and judgments	-	2,561
Increase (decrease) in compensated absences	<u>5,731</u>	<u>10,165</u>
Total Adjustments	171	235,822
Net Cash Provided (Used) by Operating Activities	\$ (369)	\$ 353,993

CITY OF BANNING**COMBINING STATEMENT OF NET POSITION
ALL AGENCY FUNDS
JUNE 30, 2013**

	Sun Lake CFD 86-1	Special AD 91-1	Area Police Computer
Assets:			
Pooled cash and investments	\$ 34,945	\$ 47,841	\$ 19,520
Receivables:			
Interest	14	20	11
Due from other governments	-	2,262	-
Restricted assets:			
Cash and investments with fiscal agents	-	-	-
Total Assets	\$ 34,959	\$ 50,123	\$ 19,531
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 2,237
Deposits payable	-	4,701	-
Due to bondholders	34,959	45,422	17,294
Total Liabilities	\$ 34,959	\$ 50,123	\$ 19,531

CITY OF BANNING**COMBINING STATEMENT OF NET POSITION
ALL AGENCY FUNDS
JUNE 30, 2013**

	Fair Oaks AD 2004-1	Cameo Homes	Totals
Assets:			
Pooled cash and investments	\$ 167,900	\$ 45,681	\$ 315,887
Receivables:			
Interest	51	19	115
Due from other governments	5,156	-	7,418
Restricted assets:			
Cash and investments with fiscal agents	218,052	-	218,052
Total Assets	\$ 391,159	\$ 45,700	\$ 541,472
 Liabilities:			
Accounts payable	\$ 152	\$ -	\$ 2,389
Deposits payable	16,886	40,000	61,587
Due to bondholders	374,121	5,700	477,496
Total Liabilities	\$ 391,159	\$ 45,700	\$ 541,472

CITY OF BANNING

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
YEAR ENDED JUNE 30, 2013

	Balance 7/1/2012	Additions	Deductions	Balance 6/30/2013
<u>Sun Lake CFD 86-1</u>				
Assets:				
Pooled cash and investments	\$ 34,894	\$ 90	\$ 39	\$ 34,945
Receivables:				
Interest	29	14	29	14
Total Assets	\$ 34,923	\$ 104	\$ 68	\$ 34,959
Liabilities:				
Due to bondholders	\$ 34,923	\$ 89	\$ 53	\$ 34,959
Total Liabilities	\$ 34,923	\$ 89	\$ 53	\$ 34,959
<u>Special AD 91-1</u>				
Assets:				
Pooled cash and investments	\$ 46,478	\$ 1,418	\$ 55	\$ 47,841
Receivables:				
Interest	41	20	41	20
Due from other governments	1,288	2,262	1,288	2,262
Total Assets	\$ 47,807	\$ 3,700	\$ 1,384	\$ 50,123
Liabilities:				
Deposits payable	\$ 4,701	\$ -	\$ -	\$ 4,701
Due to bondholders	43,106	2,316	-	45,422
Total Liabilities	\$ 47,807	\$ 2,316	\$ -	\$ 50,123
<u>Area Police Computer</u>				
Assets:				
Pooled cash and investments	\$ 54,531	\$ 41,566	\$ 76,577	\$ 19,520
Receivables:				
Interest	41	11	41	11
Total Assets	\$ 54,572	\$ 41,577	\$ 76,618	\$ 19,531
Liabilities:				
Accounts payable	\$ 28,676	\$ 44,091	\$ 70,530	\$ 2,237
Due to bondholders	25,896	15,722	24,324	17,294
Total Liabilities	\$ 54,572	\$ 59,813	\$ 94,854	\$ 19,531

CITY OF BANNING

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
YEAR ENDED JUNE 30, 2013

	Balance 7/1/2012	Additions	Deductions	Balance 6/30/2013
<u>Fair Oaks AD 2004-1</u>				
Assets:				
Pooled cash and investments	\$ 167,327	\$ 200,844	\$ 200,271	\$ 167,900
Receivables:				
Interest	103	51	103	51
Due from other governments	6,660	5,156	6,660	5,156
Restricted assets:				
Cash and investments with fiscal agents	218,052	60,088	60,088	218,052
Total Assets	\$ 392,142	\$ 266,139	\$ 267,122	\$ 391,159
Liabilities:				
Accounts payable	\$ 92	\$ 6,992	\$ 6,932	\$ 152
Deposits payable	16,886	-	-	16,886
Due to bondholders	375,164	5,908	6,951	374,121
Total Liabilities	\$ 392,142	\$ 12,900	\$ 13,883	\$ 391,159
<u>Cameo Homes</u>				
Assets:				
Pooled cash and investments	\$ 45,615	\$ 118	\$ 52	\$ 45,681
Receivables:				
Interest	38	19	38	19
Total Assets	\$ 45,653	\$ 137	\$ 90	\$ 45,700
Liabilities:				
Deposits payable	\$ 40,000	\$ -	\$ -	\$ 40,000
Due to bondholders	5,653	117	70	5,700
Total Liabilities	\$ 45,653	\$ 117	\$ 70	\$ 45,700
<u>Totals - All Agency Funds</u>				
Assets:				
Pooled cash and investments	\$ 348,845	\$ 244,036	\$ 276,994	\$ 315,887
Receivables:				
Interest	252	115	252	115
Due from other governments	7,948	7,418	7,948	7,418
Restricted assets:				
Cash and investments with fiscal agents	218,052	60,088	60,088	218,052
Total Assets	\$ 575,097	\$ 311,657	\$ 345,282	\$ 541,472
Liabilities:				
Accounts payable	\$ 28,768	\$ 51,083	\$ 77,462	\$ 2,389
Deposits payable	61,587	-	-	61,587
Due to bondholders	484,742	24,152	31,398	477,496
Total Liabilities	\$ 575,097	\$ 75,235	\$ 108,860	\$ 541,472

THIS PAGE INTENTIONALLY LEFT BLANK