

CITY OF BANNING, CALIFORNIA
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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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, 2014, 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 City'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 City'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, 2014, and, the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.



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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information of the general fund 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 combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

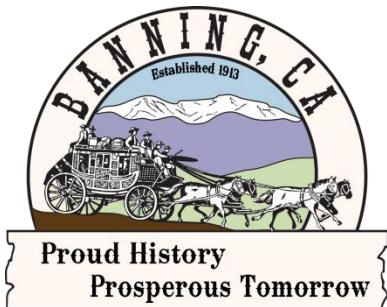
The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing 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 schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2015, 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 fluid and cursive, with 'Lance' and 'Soll' on the first line and '& Lungard, LLP' on the second line.

Brea, California
February 3, 2015



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, 2014 (FY14). 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, 2013 (FY13). 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.

FINANCIAL HIGHLIGHTS

- ❖ At the close of fiscal year 2013-2014 (FY14), the City's Governmental Funds reported ending fund balances of \$13.06 million, up by \$1.21 million or 10.19% from the previous fiscal year.
- ❖ The City's Net Position increased by \$2.69 million. The unrestricted portion of the net position which may be used to meet ongoing obligations to citizens and creditors amounts to \$52.46 million.
- ❖ Overall, governmental revenues from Taxes showed an increase of \$565,158, up by 6.39% from last fiscal year fueled by an increase in revenues from Property and Sales Taxes. Inter-governmental revenues dropped by \$937,254 or 32.63%.
- ❖ Governmental expenditures decreased by \$3.21 million or 16.67%, primarily due to decreased spending in general government and in capital outlays.
- ❖ Net Revenues from Business-Type Activities increased by 167%, up by \$3.43 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts –

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- ❖ 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.

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 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 FY13. The focus of the analysis relates to the Changes in Net Position of the City as a whole

Table 1 - Summary of Net Position (In Millions)

	Governmental Activities		Business-Type Activities		Government-Wide Totals		% CHG
	2013	2014	2013	2014	2013	2014	
Assets:							
Current and other assets	23.52	24.58	84.41	86.87	107.93	111.45	3.3%
Capital assets	90.56	85.93	106.21	107.18	196.77	193.11	1.9%
TOTAL ASSETS	\$ 114.08	\$ 110.51	\$ 190.62	\$ 194.05	\$ 304.70	\$ 304.56	0.0%
Deferred outflows on refunding	-	-	0.41	0.35	0.41	0.35	14.6%
TOTAL DEFERRED OUTFLOWS	\$ -	\$ -	\$ 0.41	\$ 0.35	\$ 0.41	\$ 0.35	14.6%
Liabilities:							
Current and other liabilities	4.56	3.40	6.66	6.71	11.22	10.11	9.9%
Long-term liabilities	3.79	4.17	74.36	72.21	78.14	76.38	2.3%
TOTAL LIABILITIES	\$ 8.35	\$ 7.57	\$ 81.01	\$ 78.92	\$ 89.36	\$ 86.49	3.2%
Deferred inflows on refunding	-	-	0.05	0.03	0.05	0.03	40.0%
TOTAL DEFERRED INFLOWS	\$ -	\$ -	\$ 0.05	\$ 0.03	\$ 0.05	\$ 0.03	40.0%
Net Position:							
Net investment in capital assets	87.92	84.09	53.84	50.86	141.76	134.95	4.8%
Restricted for:							
Community Development Projects	1.67	2.81	-	-	1.67	2.81	68.3%
Public Safety	0.33	0.15	-	-	0.33	0.15	54.5%
Parks and Recreation	0.08	0.07	-	-	0.08	0.07	12.5%
Public Works	2.52	2.95	-	-	2.52	2.95	17.1%
Capital Projects	0.33	0.33	18.25	18.26	18.58	18.59	0.1%
Debt Service	-	-	5.44	5.46	5.44	5.46	0.4%
Unrestricted	12.88	12.53	32.44	40.87	45.32	53.40	17.8%
TOTAL NET POSITION	\$ 105.73	\$ 102.94	\$ 109.97	\$ 115.46	\$ 215.70	\$ 218.39	1.2%

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

NET POSITION

Net Position represents the difference between the City's resources (total assets and deferred outflows of resources) and its obligations (total liabilities and deferred inflows of resources). 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.

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 FY14 is \$218.39 million, an increase of \$2.69 million compared to the previous fiscal year (FY13). Total assets slightly decreased by approximately \$142,000 while total liabilities decreased by \$2.87 million. Corresponding analysis of the causes of these changes are reflected in the following paragraphs.

The net investment in capital assets of \$134.95 million represents 61.79% of the City's Total Net Position. Investment in capital assets (e.g., infrastructure, land, structures and improvements, furniture and equipment) for this purpose is reduced by unspent bond proceeds 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.

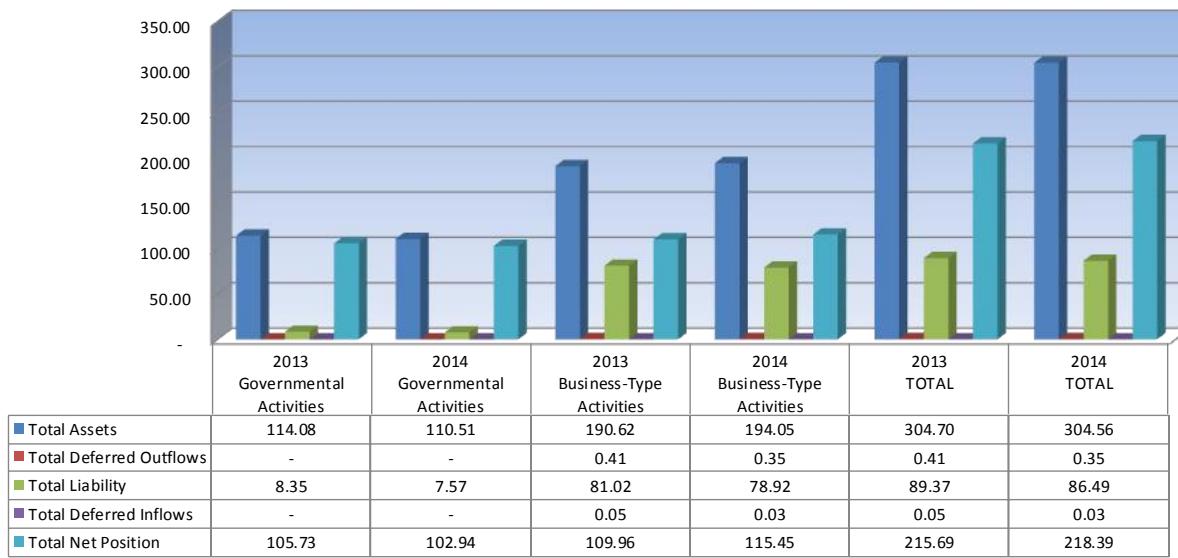
The portion of the City's Net Position subject to external restrictions in how they may be used is \$30.03 million (13.75% of the Total Net Position). The Restricted Net Position includes Community Development Projects, encumbrances and continuing appropriations in Public Safety, Parks and Recreation, Public Works, Capital Projects, and Debt Service.

The remaining Unrestricted Net Position balance of \$53.40 million (24.45% 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 \$753,116 relates to the General Fund, which is discussed in more detail in Section III.

The City's Net Position increased by \$2.69 million from FY13 to FY14. Net investment in Capital Assets decreased by \$5.87 million due to current year depreciation coupled with lower capital additions versus last year. Current liabilities in the governmental and business type activities decreased by \$1.11 million due to reduced spending compared to last fiscal year. Long term liabilities also decreased by \$1.76 million compared to last year due to ongoing retirement of existing debt. There were no new issuances of debt for the current fiscal year.

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

Chart 1 – Net Position



CHANGES IN NET POSITION

Table 2 summarizes the information on the Statement of Activities using a different layout in order to facilitate providing a two year comparison of the Governmental and Business-Type Activities

Table 2 - Statement of Activities (In Millions)

	Governmental Activities		Business-Type Activities		Government-Wide Totals	
	2013	2014	2013	2014	2013	2014
Revenues						
Program Revenues:						
Charges for Services	4.19	4.27	46.64	48.32	50.83	52.59
Operating Contributions and Grants	1.82	1.63	1.24	1.80	3.06	3.43
Capital Contributions and Grants	1.80	0.42	-	-	1.80	0.42
Subtotal Program Revenues	7.80	6.32	47.88	50.12	55.68	56.44
General Revenues:						
Property Taxes	3.76	4.00	-	-	3.76	4.00
Sales Taxes	3.20	3.41	-	-	3.20	3.41
Business Licenses Taxes	0.16	0.16	-	-	0.16	0.16
Franchise Taxes	0.81	0.86	-	-	0.81	0.86
Transient Occupancy Taxes	0.63	0.71	-	-	0.63	0.71
Other Taxes	0.23	0.26	-	-	0.23	0.26
Motor Vehicle In-Lieu	0.03	-	-	-	0.03	-
Use of Money and Property	0.47	0.58	0.07	0.27	0.54	0.86
Other	0.88	0.47	0.30	0.29	1.18	0.76
Gain on sale of capital asset	0.00	0.00	0.01	0.00	0.01	0.00
Subtotal General Revenues	10.18	10.46	0.39	0.56	10.56	11.02
TOTAL REVENUES	17.98	16.78	48.27	50.68	66.24	67.46
Expenses						
General Government	4.32	2.58	-	-	4.32	2.58
Public Safety	10.30	10.13	-	-	10.30	10.13
Community Development	0.13	0.09	-	-	0.13	0.09
Parks and Recreation	1.03	1.12	-	-	1.03	1.12
Public Works	6.48	6.27	-	-	6.48	6.27
Interest on Long-term debt	0.11	0.10	-	-	0.11	0.10
Airport	-	-	0.39	0.38	0.39	0.38
Transit	-	-	1.48	1.72	1.48	1.72
Electric Utility	-	-	30.04	28.82	30.04	28.82
BUA Water	-	-	7.74	7.57	7.74	7.57
BUA Wastewater	-	-	2.95	2.92	2.95	2.92
Refuse	-	-	2.89	3.07	2.89	3.07
TOTAL EXPENSES	22.36	20.29	45.49	44.48	67.84	64.78
Increase/(Decrease) in Net Position						
Before Transfers and Extraordinary						
Items	(4.38)	(3.51)	2.78	6.20	(1.60)	2.69
Transfers	0.73	0.72	(0.73)	(0.72)	-	-
Extraordinary Gain on Dissolution of Redevelopment Agency	-	-	-	-	-	-
Increase/(Decrease) in Net Position	(3.65)	(2.79)	2.05	5.48	(1.60)	2.69
Net Position at Beginning of Year	109.46	105.73	109.70	109.97	219.16	215.70
Restatement of Net Position	(0.07)	-	(1.78)	-	(1.85)	-
Net Position at End of Year	105.74	102.94	109.97	115.45	215.72	218.39

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

Under Governmental Activities, the City's FY14 Net Position before transfers-in from the Business-Type Activities decreased by \$3.51 million. After Inter-fund Transfers of \$724,000, the result was a decrease in net position of \$2.79 million. Under Business-Type Activities the City's Net Position increased by \$6.20 million before the \$724,000 in transfers to the Governmental Activities; resulting in an increase in net position of \$5.48 million.

REVENUES – CITY WIDE

The total Government-Wide Activity revenues (Table 2) for FY14 were \$67.46 million, of which \$16.78 million is from Governmental Activities, and \$50.68 million is from Business-Type Activities. Compared to FY13, total revenues increased \$1.22 million or 1.84% from \$66.24 million.

EXPENSES – CITY WIDE

The Government-Wide expenses totaled \$64.78 million, a decrease of 4.51% over FY13 (see Table 2). The Governmental Activities totaled \$20.29 million, or 31.32% of total expenses.

GOVERNMENTAL ACTIVITIES

Overall, Total Revenues for Governmental Activities were \$16.78 million with expenses totaling \$20.29 million. Net position at the end of fiscal year for the governmental activities (after transfers in of \$724,000) was \$102.94 million, a decrease of \$2.79 million.

Property Taxes, which are considered General Fund Revenues, are the largest revenue at \$4.00 million. This revenue category experienced an increase of \$206,785 from the prior year amount of \$3.79 million, or 5.45% (see Table 7). Property tax revenues amounting to \$3.19 million received by the former Redevelopment Agency are now being reported in the Successor Agency Trust Fund as a result of AB 1X 26, a law enacted by the State in 2012 dissolving the Redevelopment Agencies.

Sales taxes moderately increased by \$179,444, an increase of 6.55%. Sales tax revenues from the Cabazon outlets generated \$686,000, an increase of \$74,000 from last year.

Other Revenues decreased by \$410,000 or 46.65% from last year partially due to the timing of receipt of *Transportation Uniform Mitigation Fee* (TUMF) funds from the *Western Riverside Council of Governments* (WRCOG) regarding the Sunset Grade Separation Fund Project reimbursement.

General Government expenses showed a significant decrease of \$1.74 million or 40.28% versus last year, due to reduced spending mainly in capital outlay as the City's commitments to the Sunset Grade Separation Project are nearing completion.

Table 3 and Chart 2 focus on the information on the Statement of Activity that relates to Governmental Activities. Chart 2 clearly depicts that with the exception of the General Government, program expenses exceed program revenues for all other governmental activities. The remaining gap in program expenses and revenues are subsidized by Taxes, Revenues from Other Government Agencies, State/Federal Grants, and Charges for Services.

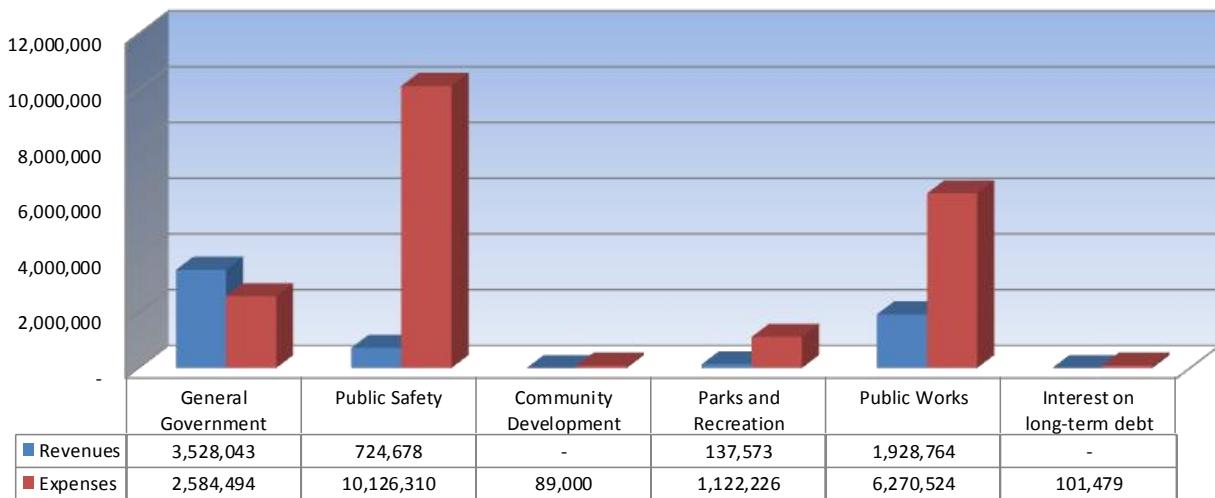
The Net Revenues (Expenses) show the financial burden that was placed on the City's taxpayers by each of these functions (see Table 3).

Table 3 - Program Net Cost: Government Activities

	Program Revenues			Total Cost of Services			Net Revenues (Expenses)		
	2013	2014	% Chg	2013	2014	% Chg	2013	2014	% Chg
General Government	3,342,221	3,528,043	6%	4,319,749	2,584,494	40%	(977,528)	943,549	197%
Public Safety	1,257,671	724,678	42%	10,296,130	10,126,310	2%	(9,038,459)	(9,401,632)	4%
Community Development	-	-	-	125,508	89,000	29%	(125,508)	(89,000)	29%
Parks and Recreation	69,245	137,573	99%	1,027,651	1,122,226	9%	(958,406)	(984,653)	3%
Public Works	3,128,440	1,928,764	38%	6,475,542	6,270,524	3%	(3,347,102)	(4,341,760)	30%
Interest on long-term debt	-	-	-	112,467	101,479	10%	(112,467)	(101,479)	10%
Government Subtotal	7,797,577	6,319,058	19%	22,357,047	20,294,033	9%	(14,559,470)	(13,974,975)	4%
General Revenues*	10,175,610	10,459,677	3%	-	-	-	10,175,610	10,459,677	3%
Transfers	727,352	724,000	0%	-	-	-	727,352	724,000	0%
SUBTOTAL	18,700,539	17,502,735	6%	22,357,047	20,294,033	9%	(3,656,508)	(2,791,298)	24%
Extraordinary Gain/(loss) on dissolution of redevelopment agency	-	-	-	-	-	-	-	-	-
TOTAL	18,700,539	17,502,735	6%	22,357,047	20,294,033	9%	(3,656,508)	(2,791,298)	24%

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

Chart 2 – Governmental Activities Program Revenue & Expenses



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

BUSINESS-TYPE ACTIVITIES

Table 2 indicates that Revenues from Business-Type Activities were \$50.68 million while expenses were at \$44.48 million. Net position at the end of the fiscal year for business-type activities (after transfers out of \$724,000) was \$115.45 million, an increase of \$5.48 million, a major improvement versus last fiscal year.

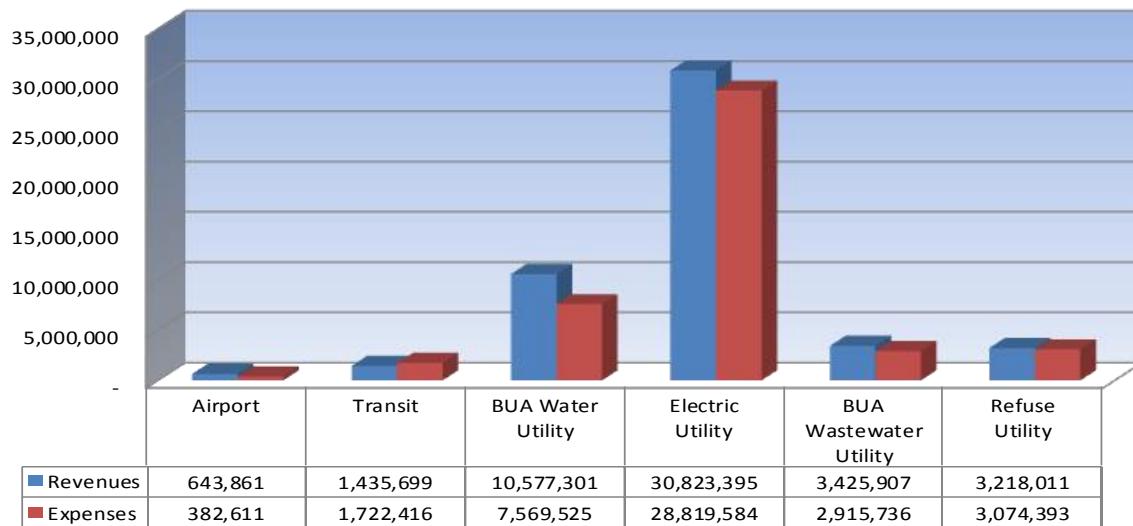
Certain services provided by the City are funded by customer fees. Table 4 and Chart 3 focus on the information on the Statement of Activity that relates to Business-type Activities and represent the cost of each of the City's six programs - Airport, Transit, BUA Water Utility, Electric Utility, BUA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

Table 4 - Program Net Cost: Business-Type Activities

	Program Revenues			Total Cost of Services			Net Revenues (Expenses)		
	2013	2014	% Chg	2013	2014	% Chg	2013	2014	% Chg
Airport	317,763	643,861	103%	391,467	382,611	2%	(73,704)	261,250	454%
Transit	1,229,064	1,435,699	17%	1,484,817	1,722,416	16%	(255,753)	(286,717)	12%
BUA Water Utility	10,015,339	10,577,301	6%	7,737,665	7,569,525	2%	2,277,674	3,007,776	32%
Electric Utility	29,818,485	30,823,395	3%	30,038,988	28,819,584	4%	(220,503)	2,003,811	1009%
BUA Wastewater Utility	3,279,157	3,425,907	4%	2,948,381	2,915,736	1%	330,776	510,171	54%
Refuse Utility	3,221,294	3,218,011	0%	2,886,320	3,074,393	7%	334,974	143,618	57%
Business Subtotal	47,881,102	50,124,174	5%	45,487,638	44,484,265	2%	2,393,464	5,639,909	136%
General Revenues	385,624	561,814	46%	-	-	-	385,624	561,814	46%
SUBTOTAL	48,266,726	50,685,988	5%	45,487,638	44,484,265	2%	2,779,088	6,201,723	123%
Transfers	(727,352)	(724,000)	0%	-	-	-	(727,352)	(724,000)	0%
TOTAL	47,539,374	49,961,988	5%	45,487,638	44,484,265	2%	2,051,736	5,477,723	167%

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"

Electric, Water and Wastewater Utility activities reflect positive net revenues for FY14, due in part to previously Council-approved rate increases implemented. The rate increases were at 12%, 7% and 8%, respectively. All three Utilities have significantly lower expenditures largely due to unexpended capital project outlays totaling approximately \$13.12 million originally budgeted in the current fiscal year which were carried forward to the next fiscal year via Continuing Appropriations. Airport activities also showed positive net revenues in 2014 mainly due to program grants received from the Federal Aviation Authority relative to "Relocate Taxiway 'A' Phase 1, Relocate Fuel Facility" project. Transit activities show negative net revenues as 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. Net Revenues for Refuse activities decreased in FY14 versus FY13 mainly due to higher service costs arising from higher cash collection levels in FY14 versus FY13. Refuse Contract Service payments with Waste Management are computed based on a percentage of cash collections from refuse payments and service connections less write-offs, if any. In FY13, the City deducted \$80,000 worth of write-offs, further reducing Refuse Contract Service payments to the Waste Management.

I. 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, 2014, with comparative amounts from the prior year. Revenues of Governmental Funds for Fiscal Year 2014 were \$16.52 million, which is a decrease of \$462,764 or 2.72% compared to the previous fiscal year.

Table 5 - Comparison of Governmental Revenues

	2012-13	% of Total Revenues	2013-14	% of Total Revenues	\$ Increase / (Decrease)	% Change
Taxes	8,841,406	52.05%	9,406,564	56.93%	565,158	6.39%
Licenses & Permits	171,406	1.01%	219,998	1.33%	48,592	28.35%
Intergovernmental	2,872,511	16.91%	1,935,257	11.71%	(937,254)	32.63%
Charges for Services	3,565,636	20.99%	3,580,518	21.67%	14,882	0.42%
Use of Money & Property	487,723	2.87%	540,560	3.27%	52,837	10.83%
Fines and Forfeitures	291,465	1.72%	291,125	1.76%	(340)	0.12%
Contributions	33,115	0.19%	11,383	0.07%	(21,732)	65.63%
Miscellaneous	723,618	4.26%	538,711	3.26%	(184,907)	25.55%
TOTAL	16,986,880	100.00%	16,524,116	100.00%	(462,764)	2.72%

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

For the last three years in a row, General Fund revenues from Taxes, which represents majority of Governmental Revenues, have shown a steady yearly increase (see Table 7) with FY14 showing an increase of \$543,550. Overall, Governmental revenues from taxes (Table 5) posted an increase of \$565,158. The steady growth in the sales and property taxes indicates an improving regional economy backed by growing consumer confidence and spending.

Intergovernmental revenues dropped by 32.63% versus last year due to the timing of drawdowns from State Homeland Security and Department of Justice grants amounting to \$937,000. The decrease in the miscellaneous revenues was mainly due to the asset redistribution from the Successor Agency which was offset by increased miscellaneous revenues from Police and Engineering. Please refer to analysis on the General Fund Revenues in Section III-Financial Analysis of the General Fund for further details.

GOVERNMENTAL EXPENDITURES

Table 6 summarizes the Governmental Fund Expenditures for the fiscal year ended June 30, 2014, with comparative amounts from fiscal year 2012-2013 (FY13). Expenditures for FY14 were \$16.04 million, a decrease of \$3.21 million or 16.67% from the prior year.

Table 6 - Comparison of Governmental Expenditures

	2012-13	% of Total Expenditures	2013-14	% of Total Expenditures	\$ Increase / (Decrease)	% Change
General Government	4,095,480	21.28%	2,359,703	14.71%	(1,735,777)	42.38%
Public Safety	9,380,358	48.73%	9,322,284	58.12%	(58,074)	0.62%
Community Development	136,878	0.71%	-	0.00%	(136,878)	100.00%
Parks and Recreation	622,959	3.24%	729,874	4.55%	106,915	17.16%
Public Works	2,389,687	12.41%	2,373,978	14.80%	(15,709)	0.66%
Operating Expenditures	16,625,362	86.37%	14,785,839	92.18%	(1,839,523)	11.06%
Capital Outlay	2,188,248	11.37%	818,606	5.10%	(1,369,642)	62.59%
Debt Service	435,787	2.26%	436,253	2.72%	466	0.11%
TOTAL	19,249,397	100.00%	16,040,698	100.00%	(3,208,699)	16.67%

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

The decrease in General Government expenditures of \$1.74 million is due to the changes in reporting required by the elimination of the Banning Community Redevelopment Agency. The decrease in Capital Outlay expenditures of \$1.37 million relates primarily to the Sunset Grade Separation Fund expenditures as the City's commitment to the project is almost complete. The decrease in Community Development expenditures of \$136,878 is due to the Low/Mod Housing Program in FY13 which was placed on hold in FY14.

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 15).

II. FINANCIAL ANALYSIS OF THE GENERAL FUND

The City Council committed \$3.48 million as an emergency contingency in the General Fund (see page 4, Balance Sheet - Governmental Funds). Funds classified as Nonspendable total \$27,949 for loans receivable. Funds classified as Assigned total \$2.22 million which account for capital projects, continuing appropriations and encumbrances in 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 2013-2014 (FY14), General Fund revenues were \$14.89 million. Table 7 shows a decrease of \$599,324 of which \$1.01 million is due to the timing of police grants receipts. Miscellaneous revenues decreased by 30.04% compared to FY13 mainly due to the \$400,000 redistribution of assets from the Former Redevelopment Agency in FY13 offset by incremental revenues from Police and Engineering.

The revenues which were previously recorded in the Public Safety Sales Tax Fund (Fund 149) and transferred to the General Fund are now recorded directly to the General Fund.

Table 7 - General Fund Revenues

	2011-12	2012-13	2013-14	% of Total	\$ Increase / (Decrease) to Last Year	% Change
Property Tax	3,681,435	3,794,362	4,001,147	26.87%	206,785	5.45%
Sales Tax	2,291,515	2,738,500	2,917,944	19.60%	179,444	6.55%
Transient Occupancy Tax	586,083	626,255	712,135	4.78%	85,880	13.71%
Franchise	819,203	813,682	861,155	5.78%	47,473	5.83%
Other Taxes	240,891	258,282	282,250	1.90%	23,968	9.28%
License & Permits	137,689	171,406	219,998	1.48%	48,592	28.35%
Intergovernmental	315,724	1,265,573	278,026	1.87%	(987,547)	78.03%
Charges for Services	3,608,457	3,565,536	3,580,448	24.04%	14,912	0.42%
Use of Money & Property	482,199	482,732	511,083	3.43%	28,351	5.87%
Fines & Forfeitures	292,192	291,465	291,125	1.96%	(340)	0.12%
Transfers In	1,010,514	749,087	720,003	4.84%	(29,084)	3.88%
Contributions*	-	13,000	11,727	0.08%	(1,273)	9.79%
Miscellaneous	191,374	720,708	504,223	3.39%	(216,485)	30.04%
Refunding Debt Issued	-	-	-	0.00%	-	-
Gain on disposal of capital assets	-	-	-	0.00%	-	-
TOTALS	13,657,276	15,490,588	14,891,264	100.02%	(599,324)	3.87%

*Category did not exist prior to fiscal year 2013

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

Table 8 shows a slight net increase of \$145,885 of which the Public Works line item represents the largest amount. For Fiscal Year 2014, General Fund expenditures were \$13.73 million.

Table 8 - General Fund Expenditures

	2011-12	2012-13	2013-14	% of Total	\$ Increase / (Decrease) to Last Year	% Change
General Government	1,815,990	2,273,136	2,359,703	17.19%	86,567	3.81%
Public Safety	9,735,506	8,818,847	8,715,093	63.49%	(103,754)	1.18%
Parks and Recreation	628,153	595,189	599,171	4.36%	3,982	0.67%
Public Works	1,264,178	1,156,102	1,299,066	9.46%	142,964	12.37%
Capital Outlay	252,322	138,014	153,674	1.12%	15,660	11.35%
Debt Service	435,545	435,787	436,253	3.18%	466	0.11%
Transfers Out	8,108,616	164,325	164,325	1.20%	-	0.00%
Refunding Debt Issued costs	-	-	-	-	-	-
TOTALS	22,240,310	13,581,400	13,727,285	100.00%	145,885	1.07%

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

The increase in the Public Works expenditures is mainly due to the professional services related to the Sunset Grade Separation Project's railroad track relocation and incremental contracted service payments to Willdan Engineering due to higher revenues from building permits fees in FY14 versus FY13. Revenues from permit fees are the basis for the payment of services rendered by Willdan. The Public Safety line item shows a net decrease of over \$103,754 due to reduced expenditures in Police safety training, ordnance, clothing/accouterments, booking fees, and the non-renewal of the tower license from Time Warner Cable, offset by increases in Fire suppression costs.

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 \$14.89 million were \$142,110 greater than the final budgeted revenues of \$14.75 million (please refer to Budgetary Comparison Schedule-General Fund). The most significant positive variances were in Taxes and Charges for Services. Charges for Services has the most significant negative variance due in part to lower collections for vehicle abatement fees and other public safety fees.

The General Fund actual ending expenditures of \$13.73 million were \$1.52 million less than the final budget of \$15.25 million. The City's General Fund showed a net increase in fund balance of \$1.16 million as a result of improved revenues and reduced expenditures. Some variances were related to contract or professional services, telephone services, staff training, and where actual costs came in less than budget in Police, Central Services, and Planning. The variance in Police is mainly due to the savings arising from the vacant position for the Chief of Police. The variance in Central Services was due to the budgeted Contingency amount of \$207,000 which was not expended. The variance in Planning is mainly due to savings in Environmental Review and Professional Services expenditures.

I. 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, 2014, is \$193.11 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 4 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.

Details on the capital assets can be found on Note 4 of the Notes to Financial Statements section.

Table 9 - Capital Assets by Activity

	Governmental Activities			Business-Type Activities			Totals		
	2013	2014	% Chg	2013	2014	% Chg	2013	2014	% 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	4,458,362	5,283,510	19%	4,832,466	6,023,844	25%	9,290,828	11,307,354	22%
Building and Structures*	13,763,972	12,855,478	7%	122,848	115,732	6%	13,886,820	12,971,210	7%
Land Improvements*	4,093,848	3,798,533	7%	1,944,637	1,776,138	9%	6,038,485	5,574,671	8%
Machinery and Equipment*	1,345,750	920,745	32%	-	-	-	1,345,750	920,745	32%
Vehicles*	342,579	204,497	40%	-	-	-	342,579	204,497	40%
Utility Plant	-	-	-	98,127,774	98,080,932	0%	98,127,774	98,080,932	0%
Infrastructure*	63,492,917	59,805,232	6%	-	-	-	63,492,917	59,805,232	6%
TOTAL	90,559,328	85,929,895	5%	106,211,954	107,180,875	1%	196,771,282	193,110,770	2%

Note: Details can be found in "Note 4 (Changes in Capital Assets)"

DEBT

At year-end, the City's Governmental Activities had a total of \$5.03 million in Compensated Absences, Claims and Judgments, and Refunding Lease outstanding, while the Business-Type Activities had \$73.26 million in debt. Table 10 below is a summary of the City's long-term debt for the year ended June 30, 2014. 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 15 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 8 of the Notes to the Financial Statements. Except for regular principal payments on long-term debt, there were no other significant events affecting the City's long term debt.

Table 10 - Debt Recap

	Governmental Activities			Business-Type Activities			Totals		
	2013	2014	% Chg	2013	2014	% Chg	2013	2014	% Chg
Compensated Absences	1,348,826	1,143,952	15%	788,095	742,995	6%	2,136,921	1,886,947	12%
Refunding Lease	2,826,194	2,493,082	12%	-	-	-	2,826,194	2,493,082	12%
Revenue Bonds	-	-	-	72,385,000	70,590,000	2%	72,385,000	70,590,000	2%
Claims & Judgements	919,981	1,389,920	51%	-	-	-	919,981	1,389,920	51%
Loans	-	-	-	2,172,519	1,924,715	11%	2,172,519	1,924,715	11%
TOTAL	5,095,001	5,026,954	1%	75,345,614	73,257,710	3%	80,440,615	78,284,664	3%

Note: Details can be found in Note 8 (Long Term Debt)

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.

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CITY OF BANNING

STATEMENT OF NET POSITION
JUNE 30, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and investments	\$ 14,024,454	\$ 51,819,405	\$ 65,843,859
Receivables:			
Accounts	595,196	6,827,390	7,422,586
Loans	998,030	7,961	1,005,991
Interest	34,218	101,766	135,984
Internal balances	826,350	(826,350)	-
Prepaid costs	-	470,680	470,680
Deposits	-	100,171	100,171
Due from other governments	7,352,561	229,148	7,581,709
Inventories	89,147	2,134,488	2,223,635
Restricted assets:			
Cash and investments	-	2,279,429	2,279,429
Cash with fiscal agent	657,693	23,726,197	24,383,890
Capital assets not being depreciated	8,345,410	7,208,073	15,553,483
Capital assets, net of depreciation	77,584,485	99,972,802	177,557,287
Total Assets	110,507,544	194,051,160	304,558,704
Deferred Outflows of Resources:			
Deferred charge on refunding	-	351,504	351,504
Total Deferred Outflows of Resources	-	351,504	351,504
Liabilities:			
Accounts payable	741,253	2,510,086	3,251,339
Accrued liabilities	502,103	151,727	653,830
Accrued interest	15,618	469,480	485,098
Unearned revenue	137,691	309,409	447,100
Deposits payable	592,294	772,224	1,364,518
Due to other governments	553,496	-	553,496
Noncurrent liabilities:			
Due within one year	855,699	2,492,606	3,348,305
Due in more than one year	4,171,255	72,211,170	76,382,425
Total Liabilities	7,569,409	78,916,702	86,486,111
Deferred Inflows of Resources:			
Deferred gain on refunding	-	33,834	33,834
Total Deferred Inflows of Resources	-	33,834	33,834
Net Position:			
Net investment in capital assets	84,094,506	50,855,990	134,950,496
Restricted for:			
Community development projects	2,808,168	-	2,808,168
Public safety	149,911	-	149,911
Parks and recreation	74,807	-	74,807
Public works	2,953,730	-	2,953,730
Capital projects	325,116	18,262,575	18,587,691
Debt service	-	5,463,622	5,463,622
Unrestricted	12,531,897	40,869,941	53,401,838
Total Net Position	\$ 102,938,135	\$ 115,452,128	\$ 218,390,263

CITY OF BANNING

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

	Program Revenues			
	Expenses	Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Functions/Programs				
Primary Government:				
Governmental Activities:				
General government	\$ 2,584,494	\$ 3,518,279	\$ 26,052	\$ -
Public safety	10,126,310	88,698	635,980	-
Community development	89,000	-	-	-
Parks and recreation	1,122,226	69,554	1,619	66,400
Public works	6,270,524	590,975	981,697	356,092
Interest on long-term debt	101,479	-	-	-
Total Governmental Activities	20,294,033	4,267,506	1,645,348	422,492
Business-Type Activities:				
Airport	382,611	172,656	471,205	-
Transit	1,722,416	163,257	1,272,442	-
Banning Utility Authority Water	7,569,525	10,575,576	1,725	-
Electric Utility	28,819,584	30,821,540	1,855	-
Banning Utility Authority Wastewater	2,915,736	3,423,514	2,393	-
Refuse Utility	3,074,393	3,165,206	52,805	-
Total Business-Type Activities	44,484,265	48,321,749	1,802,425	-
Total Primary Government	\$ 64,778,298	\$ 52,589,255	\$ 3,447,773	\$ 422,492
General Revenues:				
Taxes:				
Property taxes, levied for general purpose				
Transient occupancy taxes				
Sales taxes				
Franchise taxes				
Business licenses taxes				
Other taxes				
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
\$ 959,837	\$ -	\$ 959,837
(9,401,632)	-	(9,401,632)
(89,000)	-	(89,000)
(984,653)	-	(984,653)
(4,341,760)	-	(4,341,760)
(101,479)	-	(101,479)
<u>(13,958,687)</u>	<u>-</u>	<u>(13,958,687)</u>
 - 261,250	 - 261,250	 - 261,250
- (286,717)	- (286,717)	- (286,717)
- 3,007,776	- 3,007,776	- 3,007,776
- 2,003,811	- 2,003,811	- 2,003,811
- 510,171	- 510,171	- 510,171
- 143,618	- 143,618	- 143,618
 <u>- 5,639,909</u>	 <u>5,639,909</u>	 <u>5,639,909</u>
<u>(13,958,687)</u>	<u>5,639,909</u>	<u>(8,318,778)</u>
 4,001,164	 - 4,001,164	 - 4,001,164
712,135	- 712,135	- 712,135
3,413,423	- 3,413,423	- 3,413,423
861,155	- 861,155	- 861,155
157,242	- 157,242	- 157,242
261,305	- 261,305	- 261,305
582,558	272,796	855,354
469,656	288,557	758,213
1,039	461	1,500
724,000	(724,000)	-
 <u>11,183,677</u>	 <u>(162,186)</u>	 <u>11,021,491</u>
(2,775,010)	5,477,723	2,702,713
105,729,433	109,974,405	215,703,838
(16,288)	-	(16,288)
<u>\$ 102,938,135</u>	<u>\$ 115,452,128</u>	<u>\$ 218,390,263</u>

CITY OF BANNING

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	Capital Projects Funds				Total Governmental Funds	
	General		Sunset Grade Separation			
Assets:						
Pooled cash and investments	\$ 3,682,085	\$ 175	\$ 5,978,622	\$ 9,660,882		
Receivables:						
Accounts	566,462	-	5,904	572,366		
Loans	27,950	-	966,205	994,155		
Interest	18,884	-	11,353	30,237		
Due from other governments	1,885,833	2,296,802	3,070,968	7,253,603		
Due from other funds	2,819,750	-	-	2,819,750		
Restricted assets:						
Cash and investments with fiscal agents	-	-	657,693	657,693		
Total Assets	\$ 9,000,964	\$ 2,296,977	\$ 10,690,745	\$ 21,988,686		
Liabilities, Deferred Inflows of Resources, and Fund Balances:						
Liabilities:						
Accounts payable	\$ 252,559	\$ -	\$ 214,441	\$ 467,000		
Accrued liabilities	421,235	-	29,372	450,607		
Unearned revenues	-	-	137,691	137,691		
Deposits payable	494,177	-	98,117	592,294		
Due to other governments	553,496	-	-	553,496		
Due to other funds	-	2,297,000	491,750	2,788,750		
Advances from other funds	394,118	-	-	394,118		
Total Liabilities	2,115,585	2,297,000	971,371	5,383,956		
Deferred Inflows of Resources:						
Unavailable revenues	283,830	2,296,802	967,754	3,548,386		
Total Deferred Inflows of Resources	283,830	2,296,802	967,754	3,548,386		
Fund Balances:						
Nonspendable:						
Loans Receivable	27,950	-	-	27,950		
Restricted for:						
Community development projects	-	-	2,808,168	2,808,168		
Public safety	-	-	149,911	149,911		
Parks and recreation	-	-	74,807	74,807		
Public works	-	-	2,953,730	2,953,730		
Capital Projects	-	-	325,116	325,116		
Committed to:						
Emergency Contingency	3,480,481	-	-	3,480,481		
Assigned to:						
Public safety	24,918	-	-	24,918		
Parks and recreation	16,150	-	-	16,150		
Public works	126,118	-	-	126,118		
Capital Projects	1,100,000	-	2,628,525	3,728,525		
Debt service	3,276	-	-	3,276		
General government	110,407	-	-	110,407		
Future compensated absences	480,648	-	-	480,648		
Litigation Contingency	179,189	-	-	179,189		
Gas tax commitment	152,675	-	-	152,675		
PEG	110,398	-	-	110,398		
SB1186 Disability Access	2,232	-	-	2,232		
Police Reward	25,000	-	-	25,000		
Community development projects	8,992	-	-	8,992		
Unassigned	753,115	(2,296,825)	(188,637)	(1,732,347)		
Total Fund Balances	6,601,549	(2,296,825)	8,751,620	13,056,344		
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 9,000,964	\$ 2,296,977	\$ 10,690,745	\$ 21,988,686		

CITY OF BANNING**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014**

Fund balances of governmental funds	\$ 13,056,344
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.	85,512,410
Long-term debt and compensated absences that have not been included in the governmental fund activity:	
Bonds payable	\$ (2,493,082)
Compensated Absences	<u>(961,296)</u>
	(3,454,378)
Accrued interest payable for the current portion of interest due on Bonds has not been reported in the governmental funds.	(15,618)
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.	3,548,386
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>4,290,991</u>
Net Position of governmental activities	<u>\$ 102,938,135</u>

CITY OF BANNING

**STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014**

	Capital Projects Funds			
	General		Other Governmental Funds	Total Governmental Funds
	Sunset Grade Separation	General	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 8,774,631	\$ -	\$ 631,933	\$ 9,406,564
Licenses and permits	219,998	-	-	219,998
Intergovernmental	278,026	119,370	1,537,861	1,935,257
Charges for services	3,580,448	-	70	3,580,518
Use of money and property	511,083	-	29,477	540,560
Fines and forfeitures	291,125	-	-	291,125
Contributions	11,727	-	15,944	27,671
Miscellaneous	504,223	-	34,488	538,711
Total Revenues	14,171,261	119,370	2,249,773	16,540,404
Expenditures:				
Current:				
General government	2,359,703	-	-	2,359,703
Public safety	8,715,093	-	607,191	9,322,284
Parks and recreation	599,171	-	130,703	729,874
Public works	1,299,066	-	1,074,912	2,373,978
Capital outlay	153,674	129,710	535,222	818,606
Debt service:				
Principal retirement	333,112	-	-	333,112
Interest and fiscal charges	103,141	-	-	103,141
Total Expenditures	13,562,960	129,710	2,348,028	16,040,698
Excess (Deficiency) of Revenues Over (Under) Expenditures	608,301	(10,340)	(98,255)	499,706
Other Financing Sources (Uses):				
Transfers in	720,003	-	252,119	972,122
Transfers out	(164,325)	-	(83,797)	(248,122)
Total Other Financing Sources (Uses)	555,678	-	168,322	724,000
Net Change in Fund Balances	1,163,979	(10,340)	70,067	1,223,706
Fund Balances, Beginning of Year, as previously reported	5,437,570	(2,286,485)	8,697,841	11,848,926
Restatements	-	-	(16,288)	(16,288)
Fund Balances, Beginning of Year, as restated	5,437,570	(2,286,485)	8,681,553	11,832,638
Fund Balances, End of Year	\$ 6,601,549	\$ (2,296,825)	\$ 8,751,620	\$ 13,056,344

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, 2014**

Net change in fund balances - total governmental funds \$ 1,207,418

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	\$ 948,316
Depreciation	(5,527,579)
	<hr/>
	(4,579,263)

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	333,112
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Accrued interest for long-term liabilities. This is the net change in accrued interest for the current period.

1,662

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.

189,400

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.

122,582

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.

(66,209)

Change in net position of governmental activities

\$ (2,791,298)

CITY OF BANNING

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	Business-Type Activities - Enterprise Funds		
	Banning Utility Authority Water	Electric Utility	Banning Utility Authority Wastewater
Assets:			
Current:			
Pooled cash and investments	\$ 14,470,715	\$ 19,678,489	\$ 16,794,966
Receivables:			
Accounts	1,763,410	4,155,688	438,469
Loans	1,827	5,934	200
Interest	27,360	40,796	31,703
Prepaid costs	-	470,680	-
Deposits	-	100,171	-
Due from other governments	484	-	-
Inventories	439,210	1,680,931	-
Restricted:			
Cash and investments	-	2,279,429	-
Cash with fiscal agent	3,658,130	16,695,049	3,373,018
Total Current Assets	20,361,136	45,107,167	20,638,356
Noncurrent:			
Advances to other funds	-	394,118	-
Capital assets - net of accumulated depreciation	48,842,999	39,722,676	14,819,021
Total Noncurrent Assets	48,842,999	40,116,794	14,819,021
Total Assets	69,204,135	85,223,961	35,457,377
Deferred Outflows of Resources:			
Deferred charge on refunding	211,084	-	140,420
Total Deferred Outflows of Resources	211,084	-	140,420
Total Assets and Deferred Outflows of Resources	\$ 69,415,219	\$ 85,223,961	\$ 35,597,797
Liabilities, Deferred Inflow of Resources and Net Position:			
Liabilities:			
Current:			
Accounts payable	\$ 311,817	\$ 1,794,814	\$ 92,213
Accrued liabilities	32,786	74,769	15,816
Accrued interest	250,956	144,753	73,771
Unearned revenues	-	-	-
Deposits payable	171,583	391,073	92,383
Due to other funds	-	-	-
Compensated absences	81,800	135,103	60,624
Claims and judgments	-	-	-
Bonds, notes, and capital leases	805,000	935,000	409,246
Total Current Liabilities	1,653,942	3,475,512	744,053
Noncurrent:			
Compensated absences	97,290	159,931	58,978
Claims and judgments	-	-	-
Bonds, notes, and capital leases	30,251,520	34,720,199	6,839,816
Total Noncurrent Liabilities	30,348,810	34,880,130	6,898,794
Total Liabilities	32,002,752	38,355,642	7,642,847
Deferred Inflows of Resources:			
Deferred gain on refunding	-	33,834	-
Total Deferred Inflows of Resources	-	33,834	-
Net Position:			
Net investment in capital assets	17,997,563	18,056,355	11,005,893
Restricted for capital projects	944,349	14,022,712	3,295,514
Restricted for debt service	2,713,781	2,672,337	77,504
Unrestricted	15,756,774	12,083,081	13,576,039
Total Net Position	37,412,467	46,834,485	27,954,950
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 69,415,219	\$ 85,223,961	\$ 35,597,797

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, 2014

Business-Type Activities - Enterprise Funds					
	Other Enterprise Funds	Totals	Governmental Activities-Internal Service Funds		
Assets:					
Current:					
Pooled cash and investments	\$ 875,235	\$ 51,819,405	\$ 4,363,572		
Receivables:					
Accounts	469,823	6,827,390	22,830		
Loans	-	7,961	3,875		
Interest	1,907	101,766	3,981		
Prepaid costs	-	470,680	-		
Deposits	-	100,171	-		
Due from other governments	228,664	229,148	98,958		
Inventories	14,347	2,134,488	89,147		
Restricted:					
Cash and investments	-	2,279,429	-		
Cash with fiscal agent	-	23,726,197	-		
Total Current Assets	1,589,976	87,696,635	4,582,363		
Noncurrent:					
Advances to other funds	-	394,118	-		
Capital assets - net of accumulated depreciation	3,796,179	107,180,875	417,485		
Total Noncurrent Assets	3,796,179	107,574,993	417,485		
Total Assets	5,386,155	195,271,628	4,999,848		
Deferred Outflows of Resources:					
Deferred charge on refunding	-	351,504	-		
Total Deferred Outflows of Resources	-	351,504	-		
Total Assets and Deferred Outflows of Resources	\$ 5,386,155	\$ 195,623,132	\$ 4,999,848		
Liabilities, Deferred Inflow of Resources and Net Position:					
Liabilities:					
Current:					
Accounts payable	\$ 311,242	\$ 2,510,086	\$ 274,253		
Accrued liabilities	28,356	151,727	51,496		
Accrued interest	-	469,480	-		
Unearned revenues	309,409	309,409	-		
Deposits payable	117,185	772,224	-		
Due to other funds	31,000	31,000	-		
Compensated absences	65,833	343,360	123,192		
Claims and judgments	-	-	19,961		
Bonds, notes, and capital leases	-	2,149,246	-		
Total Current Liabilities	863,025	6,736,532	468,902		
Noncurrent:					
Compensated absences	83,436	399,635	59,464		
Claims and judgments	-	-	1,369,959		
Bonds, notes, and capital leases	-	71,811,535	-		
Total Noncurrent Liabilities	83,436	72,211,170	1,429,423		
Total Liabilities	946,461	78,947,702	1,898,325		
Deferred Inflows of Resources:					
Deferred gain on refunding	-	33,834	-		
Total Deferred Inflows of Resources	-	33,834	-		
Net Position:					
Net investment in capital assets	3,796,179	50,855,990	417,485		
Restricted for capital projects	-	18,262,575	-		
Restricted for debt service	-	5,463,622	-		
Unrestricted	643,515	42,059,409	2,684,038		
Total Net Position	4,439,694	116,641,596	3,101,523		
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 5,386,155	\$ 195,623,132	\$ 4,999,848		
		\$ 116,641,596			
		(1,097,151)			
		(92,317)			
		\$ 115,452,128			

CITY OF BANNING

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

<u>Business-Type Activities - Enterprise Funds</u>			
	<u>Banning Utility Authority Water</u>	<u>Electric Utility</u>	<u>Banning Utility Authority Wastewater</u>
Operating Revenues:			
Sales and service charges	\$ 10,575,576	\$ 30,821,540	\$ 3,423,514
Miscellaneous	32,517	215,991	18,344
Total Operating Revenues	10,608,093	31,037,531	3,441,858
Operating Expenses:			
Salaries and benefits	1,403,942	3,018,535	636,807
Supplies and services	3,341,014	5,444,410	1,324,165
Repairs and maintenance	13,000	16,963	34,471
Street lighting costs	-	147,985	-
Power purchased	-	17,000,644	-
Bad debt expense	43,664	119,613	12,274
Insurance premiums	-	-	-
Depreciation expense	1,240,760	1,266,089	566,750
Total Operating Expenses	6,042,380	27,014,239	2,574,467
Operating Income (Loss)	4,565,713	4,023,292	867,391
Nonoperating Revenues (Expenses):			
Intergovernmental	1,725	1,855	2,393
Interest revenue and change in fair value of investments	72,380	112,163	83,980
Interest expense	(1,508,681)	(1,749,955)	(331,114)
Gain (loss) on disposal of capital assets	-	211	-
Total Nonoperating Revenues (Expenses)	(1,434,576)	(1,635,726)	(244,741)
Income (Loss) Before Transfers	3,131,137	2,387,566	622,650
Transfers out	(488,000)	-	(181,000)
Changes in Net Position	2,643,137	2,387,566	441,650
Net Position:			
Beginning of Year	34,769,330	44,446,919	27,513,300
End of Fiscal Year	\$ 37,412,467	\$ 46,834,485	\$ 27,954,950

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, 2014

	Business-Type Activities - Enterprise Funds		
	Other Enterprise Funds	Totals	Governmental Activities- Internal Service Funds
Operating Revenues:			
Sales and service charges	\$ 3,501,119	\$ 48,321,749	\$ 5,708,387
Miscellaneous	21,705	288,557	264,250
Total Operating Revenues	3,522,824	48,610,306	5,972,637
Operating Expenses:			
Salaries and benefits	1,066,338	6,125,622	1,984,783
Supplies and services	3,635,172	13,744,761	3,033,998
Repairs and maintenance	11,638	76,072	225,464
Street lighting costs	-	147,985	-
Power purchased	-	17,000,644	-
Bad debt expense	11,007	186,558	50
Insurance premiums	-	-	873,065
Depreciation expense	446,957	3,520,556	56,840
Total Operating Expenses	5,171,112	40,802,198	6,174,200
Operating Income (Loss)	(1,648,288)	7,808,108	(201,563)
Nonoperating Revenues (Expenses):			
Intergovernmental	1,796,452	1,802,425	-
Interest revenue and change in fair value of investments	4,273	272,796	41,998
Interest expense	-	(3,589,750)	-
Gain (loss) on disposal of capital assets	250	461	1,039
Total Nonoperating Revenues (Expenses)	1,800,975	(1,514,068)	43,037
Income (Loss) Before Transfers	152,687	6,294,040	(158,526)
Transfers out	(55,000)	(724,000)	-
Changes in Net Position	97,687	5,570,040	(158,526)
Net Position:			
Beginning of Year	4,342,007	111,071,556	3,260,049
End of Fiscal Year	\$ 4,439,694	\$ 116,641,596	\$ 3,101,523
		\$ 5,570,040	
		(92,317)	
		\$ 5,477,723	

CITY OF BANNING

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

	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	\$ 10,501,148	\$ 30,851,848	\$ 3,470,411
Cash received from/(paid to) interfund service provided	(484)	235,464	18,344
Cash paid to suppliers for goods and services	(3,454,375)	(23,465,184)	(1,402,622)
Cash paid to employees for services	(1,410,649)	(3,033,594)	(656,352)
Net Cash Provided (Used) by Operating Activities	5,635,640	4,588,534	1,429,781
Cash Flows from Non-Capital Financing Activities:			
Cash transfers in	-	-	-
Cash transfers out	(488,000)	-	(181,000)
Intergovernmental	1,725	-	2,393
Repayment received from other funds	1,536,400	1,855	-
Net Cash Provided (Used) by Non-Capital Financing Activities	1,050,125	1,855	(178,607)
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(956,541)	(2,722,595)	(134,967)
Principal paid on capital debt	(770,000)	(880,000)	(392,804)
Interest paid on capital debt	(1,525,972)	(1,790,662)	(306,592)
Proceeds from sales of capital assets	-	211	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(3,252,513)	(5,393,046)	(834,363)
Cash Flows from Investing Activities:			
Proceeds from repayments (issuance) of notes and loans receivable	5,779	204	899
Issuance of notes and loans receivable	(4,351)	-	-
Interest received	50,264	80,279	58,998
Net Cash Provided (Used) by Investing Activities	51,692	80,483	59,897
Net Increase (Decrease) in Cash and Cash Equivalents	3,484,944	(722,174)	476,708
Cash and Cash Equivalents at Beginning of Year	14,643,901	39,375,141	19,691,276
Cash and Cash Equivalents at End of Year	\$ 18,128,845	\$ 38,652,967	\$ 20,167,984

CITY OF BANNING

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

	Business-Type Activities -		Governmental Activities-Internal Service Funds
	Other Enterprise Funds	Totals	
Cash Flows from Operating Activities:			
Cash received from customers and users	\$ 3,620,782	\$ 48,444,189	\$ 5,970,098
Cash received from/(paid to) interfund service provided	(149,399)	103,925	(65,416)
Cash paid to suppliers for goods and services	(3,552,371)	(31,874,552)	(3,710,794)
Cash paid to employees for services	(1,068,172)	(6,168,767)	(1,991,165)
Net Cash Provided (Used) by Operating Activities	(1,149,160)	10,504,795	202,723
Cash Flows from Non-Capital Financing Activities:			
Cash transfers in	-	-	-
Cash transfers out	(55,000)	(724,000)	-
Intergovernmental	1,827,452	1,831,570	-
Repayment received from other funds	-	1,538,255	-
Net Cash Provided (Used) by Non-Capital Financing Activities	1,772,452	2,645,825	-
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(675,374)	(4,489,477)	(6,670)
Principal paid on capital debt	-	(2,042,804)	-
Interest paid on capital debt	-	(3,623,226)	-
Proceeds from sales of capital assets	250	461	1,039
Net Cash Provided (Used) by Capital and Related Financing Activities	(675,124)	(10,155,046)	(5,631)
Cash Flows from Investing Activities:			
Proceeds from repayments (issuance) of notes and loans receivable	-	6,882	(132)
Issuance of notes and loans receivable	-	(4,351)	-
Interest received	2,765	192,306	38,834
Net Cash Provided (Used) by Investing Activities	2,765	194,837	38,702
Net Increase (Decrease) in Cash and Cash Equivalents	(49,067)	3,190,411	235,794
Cash and Cash Equivalents at Beginning of Year	924,302	74,634,620	4,127,778
Cash and Cash Equivalents at End of Year	\$ 875,235	\$ 77,825,031	\$ 4,363,572

CITY OF BANNING

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

	Business-Type Activities - Enterprise Funds		
	Banning Utility Authority Water	Electric Utility	Banning Utility Authority Wastewater
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 4,565,713	\$ 4,023,292	\$ 867,391
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:			
Depreciation	1,240,760	1,266,089	566,750
Bad debt expense	43,664	119,613	12,274
(Increase) decrease in accounts receivable	(109,190)	(95,702)	32,982
(Increase) decrease in deposits receivable	-	(86)	-
(Increase) decrease in due from other governments	(484)	19,473	-
(Increase) decrease in prepaid expense	-	(470,680)	-
(Increase) decrease in inventories	(2,612)	(273,516)	-
Increase (decrease) in accounts payable	(97,749)	(3,306)	(33,288)
Increase (decrease) in accrued liabilities	1,955	11,933	1,576
Increase (decrease) in deposits payable	2,245	6,483	1,641
Increase (decrease) in earned revenue	-	-	-
Increase (decrease) in claims and judgments	-	-	-
Increase (decrease) in compensated absences	(8,662)	(15,059)	(19,545)
Total Adjustments	1,069,927	565,242	562,390
Net Cash Provided (Used) by Operating Activities	\$ 5,635,640	\$ 4,588,534	\$ 1,429,781
Non-Cash Investing, Capital, and Financing Activities:			
Amortization of Unamortized Premiums/Discounts	\$ 50,536	\$ -	\$ -
Amortization of Gain/Loss on Defeasance	(38,379)	-	-

CITY OF BANNING

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

	Business-Type Activities -		Governmental Activities-Internal Service Funds
	Other Enterprise Funds	Totals	
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ (1,648,288)	\$ 7,808,108	\$ (201,563)
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:			
Depreciation	446,957	3,520,556	56,840
Bad debt expense	11,007	186,558	-
(Increase) decrease in accounts receivable	27,055	(144,855)	(1,611)
(Increase) decrease in deposits receivable	-	(86)	-
(Increase) decrease in due from other governments	(171,104)	(152,115)	(65,416)
(Increase) decrease in prepaid expense	-	(470,680)	-
(Increase) decrease in inventories	5,327	(270,801)	(23,950)
Increase (decrease) in accounts payable	94,067	(40,276)	(24,206)
Increase (decrease) in accrued liabilities	6,052	21,516	9,092
Increase (decrease) in deposits payable	310	10,679	(928)
Increase (decrease) in earned revenue	81,291	81,291	-
Increase (decrease) in claims and judgments	-	-	469,939
Increase (decrease) in compensated absences	(1,834)	(45,100)	(15,474)
Total Adjustments	499,128	2,696,687	404,286
Net Cash Provided (Used) by Operating Activities	\$ (1,149,160)	\$ 10,504,795	\$ 202,723
Non-Cash Investing, Capital, and Financing Activities:			
Amortization of Unamortized Premiums/Discounts	\$ -	\$ 50,536	\$ -
Amortization of Gain/Loss on Defeasance	-	(38,379)	-

CITY OF BANNING

STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2014

		Agency Funds	Private-Purpose Trust Fund Successor	Agency of the Former RDA
Assets:				
Pooled cash and investments	\$ 322,042		\$ 4,133,213	
Receivables:				
Accounts		-	2,882	
Notes and loans		-	6,056,589	
Interest		560	4,692	
Due from other governments		6,844		-
Restricted assets:				
Cash and investments with fiscal agents		220,575	11,208,860	
Capital assets:				
Capital assets, not being depreciated		-	6,182,672	
Capital assets, net of accumulated depreciation		-	6,049,356	
Total Assets	\$ 550,021			33,638,264
Liabilities:				
Accounts payable	\$ 1,958		53,784	
Accrued liabilities		-	4,807	
Accrued interest		-	682,755	
Deposits payable	61,587		946	
Due to other governments		-	789,800	
Due to bondholders	486,476		-	
Long-term liabilities:				
Due in one year		-	1,201,648	
Due in more than one year		-	38,248,008	
Total Liabilities	\$ 550,021			40,981,748
Net Position:				
Held in trust for other purposes			(7,343,484)	
Total Net Position			\$ (7,343,484)	

CITY OF BANNING

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2014

	Private-Purpose Trust Fund Successor Agency of the Former RDA
Additions:	
Taxes	\$ 3,184,770
Interest and change in fair value of investments	108,723
Contributions from City	299,987
Miscellaneous	6,069
Total Additions	3,599,549
Deductions:	
Administrative expenses	435,163
Contractual services	50,000
Interest expense	1,706,969
Amortization Expense	30,236
Depreciation expense	253,602
Loss of Sale of Capital Assets	3,750
Forgiven loan expense	110,200
Total Deductions	2,589,920
Changes in Net Position	1,009,629
Net Position - Beginning of the Year	(8,353,113)
Net Position - End of the Year	\$ (7,343,484)

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CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

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 July 12, 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, 2014

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

The City of Banning Housing Authority was established on January 10, 2012 to accept the assets of the former Redevelopment Agency. On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X26 ("the Bill") that provides for the dissolution of all redevelopment agencies in the State of California. The Bill impacted the reporting entity of the City that previously had reported a redevelopment agency within the report of the City as a blended component unit. On January 10, 2012 and in accordance with California Health and Safety Code Section 34176, the City Council as part of City resolution numbers 2012-01 and 2012-04, elected to retain the housing assets and transfer those assets over to the Housing Authority. The housing assets and functions are reported in the Banning Housing Authority, a special revenue fund of the City.

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.

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2014

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

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

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

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 Sunset Grade Separation Fund is the government's fund to isolate payments made with the intent to account for the funding resources and expenditures related to the Sunset Grade Separation Project.

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.

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2014

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

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 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.

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.

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2014

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

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

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

Receivables and Payables

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

Advances between funds, as reported in the fund financial statements, are offset by 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 XIIIIA 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.

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2014

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

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

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

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

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

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

Inventories and Prepaid Items

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

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.

CITY OF BANNING**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
JUNE 30, 2014

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

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 net position and governmental balance sheets 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 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 net position and governmental balance sheet 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 Business-Type Activities and Proprietary Funds Statement of Net Position. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2014

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

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: 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.

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2014

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

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 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.

Police Management 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.

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2014

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

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, 2014

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

Floating Holiday 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.

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

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

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2014

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

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.

Fund Balance Policies

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

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

Restricted include amounts that are constrained on the use of resources by either (a) external creditors, grantors, contributors, or laws or regulations of other governments or (b) by law through constitutional provisions or enabling legislation.

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

Emergency Contingency - 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.

CITY OF BANNING**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
JUNE 30, 2014

Note 1: Organization and Summary of Significant Accounting Policies (Continued)**Fund Balance Deficits**

The following funds contained a deficit fund balance:

Fund	Amount
Article 3 Sidewalk - Special Revenue	\$ (142,135)
Community Development Block Grant - Special Revenue	(46,502)
Sunset Grade Separation - Capital Projects Fund	(2,296,825)
Successor Agency	(7,343,484)

e. New Accounting Pronouncements

In March 2012, the GASB issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which is intended to clarify the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The City has fully confirmed to the requirements of this statement for the fiscal year ending June 30, 2014.

In March 2012, the GASB issued Statement 66, *Technical Corrections – 2012 an amendment of GASB Statements No. 10 and No. 62*, to resolve conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. This statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of a state and local government's risk financing activities to the general fund and the internal service fund type. This statement also amends Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, by modifying the specific guidance on accounting for, operating lease payments that vary from a straight-line basis, the difference between the initial investment and the principal amount of a purchased loan, and servicing fees related to mortgage loans that are sold when the stated service fee rate differs significant from a normal servicing fee rate. The City has fully confirmed to the requirements of this statement for the fiscal year ending June 30, 2014.

CITY OF BANNING**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
JUNE 30, 2014

II. DETAILED NOTES ON ALL FUNDS**Note 2: Cash and Investments**

As of June 30, 2014, cash and investments were reported in the accompanying financial statements as follows:

Governmental activities	\$ 14,682,147
Business-type activities	77,825,031
Fiduciary funds	15,884,690
Total Cash and Investments	<u>\$ 108,391,868</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, 2014, the carrying amount of the City's deposits was \$3,911,010, and the bank balance was \$4,652,169. The \$741,159 difference represents outstanding checks and other reconciling items.

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

Investments

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

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

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2014

Note 2: Cash and Investments (Continued)

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.

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, 2014, the City's investments in Federal Agency Securities consisted of investments in Federal Home Loan Bank Bonds, Federal Home Loan Mortgage Corporation Notes, Federal Farm Credit banks, and Federal National Mortgage Corporation. At June 30, 2014, 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, 2014, 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, 2014, none of the City's deposits or investments was exposed to custodial credit risk.

CITY OF BANNING**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
JUNE 30, 2014**Note 2: Cash and Investments****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, 2014, 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, 2014, 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	\$ -	\$ -	\$ 25,730,772	\$ -	\$ 25,730,772
Local Agency Investment Fund	41,572,339	-	-	-	41,572,339
Money Market	106,708	-	-	-	106,708
Cash with Fiscal Agents:					
Money Market	37,071,039	-	-	-	37,071,039
Total	\$ 78,750,086	\$ -	\$ 25,730,772	\$ -	\$ 104,480,858

Note 3: Interfund Receivables, Payables and Transfers

The composition of interfund balances as of June 30, 2014, is as follows:

Due To/From Other Funds

Funds	Due to Other Funds			Total
	Airport Fund	Sunset Grade Separation Fund	Nonmajor Governmental Funds	
Due from Other Funds:				
General Fund	\$ 31,000	\$ 2,297,000	\$ 491,750	\$ 2,819,750
Total	\$ 31,000	\$ 2,297,000	\$ 491,750	\$ 2,819,750

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

CITY OF BANNING**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
JUNE 30, 2014**Note 3: Interfund Receivables, Payables and Transfers (Continued)**

Advances To/From Other Funds

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

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, 2014, principal owed on those loans was \$394,118.

Interfund Transfers

Funds	<u>Transfers In:</u>			Totals
	General Fund	Nonmajor Governmental Funds		
Transfers Out:				
General Fund	\$ -	\$ 164,325	\$ 164,325	
Nonmajor Governmental Funds	-	83,797	83,797	
BUA Water Fund	484,003	3,997	488,000	
BUA Wastewater Fund	181,000	-	181,000	
Non-Major Enterprise Funds	55,000	-	55,000	
Totals	\$ 720,003	\$ 252,119	\$ 972,122	

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

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2014

Note 4: Changes in Capital Assets

Capital asset activity for the year ended June 30, 2014, 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	4,458,362	897,271	-	(72,123)	5,283,510
Total Capital Assets, Not Being Depreciated	7,520,262	897,271	-	(72,123)	8,345,410
Capital assets, being depreciated:					
Buildings and structures	25,996,729	12,850	7,540	45,856	26,047,895
Land improvements	7,072,307	-	-	2,077	7,074,384
Machinery and equipment	6,088,773	44,865	-	-	6,133,638
Vehicles	4,213,745	-	1,418	-	4,212,327
Infrastructure	112,756,682	-	-	24,190	112,780,872
Total Capital Assets, Being Depreciated	156,128,236	57,715	8,958	72,123	156,249,116
Less accumulated depreciation:					
Buildings and structures	12,232,757	967,200	7,540	-	13,192,417
Land improvements	2,978,459	297,392	-	-	3,275,851
Machinery and equipment	4,743,023	469,870	-	-	5,212,893
Vehicles	3,871,166	138,082	1,418	-	4,007,830
Infrastructure	49,263,765	3,711,875	-	-	52,975,640
Total Accumulated Depreciation	73,089,170	5,584,419	8,958	-	78,664,631
Total Capital Assets, Being Depreciated, Net	83,039,066	(5,526,704)	-	72,123	77,584,485
Governmental Activities Capital Assets, Net	\$ 90,559,328	\$ (4,629,433)	\$ -	\$ -	\$ 85,929,895

Depreciation expense was charged to governmental functions as follows:

Governmental Activities:		
General government		\$ 204,169
Public safety		879,832
Public works		4,045,104
Parks and recreation		398,474
Internal service funds		56,840
Total Depreciation Expense - Governmental Activities		\$ 5,584,419

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 4: Changes in Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-Type Activities:					
Capital assets, not being depreciated:					
Land	\$ 1,184,229	\$ -	\$ -	\$ -	\$ 1,184,229
Construction-in-progress	<u>4,832,466</u>	<u>4,183,462</u>	<u>-</u>	<u>(2,992,084)</u>	<u>6,023,844</u>
Total Capital Assets, Not Being Depreciated	<u>6,016,695</u>	<u>4,183,462</u>	<u>-</u>	<u>(2,992,084)</u>	<u>7,208,073</u>
Capital assets, being depreciated:					
Airport master plan	38,875	-	-	-	38,875
Buildings and structures	519,247	-	-	-	519,247
Land improvements	3,561,602	-	-	-	3,561,602
Machinery and equipment	29,109	-	-	-	29,109
Utility plant	<u>161,484,109</u>	<u>306,012</u>	<u>56,949</u>	<u>2,992,084</u>	<u>164,725,256</u>
Total Capital Assets, Being Depreciated	<u>165,632,942</u>	<u>306,012</u>	<u>56,949</u>	<u>2,992,084</u>	<u>168,874,089</u>
Less accumulated depreciation:					
Airport master plan	38,875	-	-	-	38,875
Buildings and structures	396,399	7,116	-	-	403,515
Land improvements	1,616,965	168,499	-	-	1,785,464
Machinery and equipment	29,109	-	-	-	29,109
Utility plant	<u>63,356,332</u>	<u>3,344,941</u>	<u>56,949</u>	<u>-</u>	<u>66,644,324</u>
Total Accumulated Depreciation	<u>65,437,680</u>	<u>3,520,556</u>	<u>56,949</u>	<u>-</u>	<u>68,901,287</u>
Total Capital Assets, Being Depreciated, Net	<u>100,195,262</u>	<u>(3,214,544)</u>	<u>-</u>	<u>2,992,084</u>	<u>99,972,802</u>
Business-type Activities					
Capital Assets, Net	<u>\$ 106,211,957</u>	<u>\$ 968,918</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 107,180,875</u>

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

Business-Type Activities:	
Banning Utility Authority Water	\$ 1,240,760
Electric Utility	1,266,089
Banning Utility Authority Wastewater	566,750
Airport	175,615
Transit	<u>271,342</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 3,520,556</u>

CITY OF BANNING**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
JUNE 30, 2014

Note 5: 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	\$ 1,825,408	\$ (61,998)	\$ 1,763,410
Electric	4,300,452	(144,764)	4,155,688
Wastewater	454,138	(15,669)	438,469
Nonmajor Proprietary Funds	<u>486,603</u>	<u>(16,780)</u>	<u>469,823</u>
	<u><u>\$ 7,066,601</u></u>	<u><u>\$ (239,211)</u></u>	<u><u>\$ 6,827,390</u></u>

Note 6: 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, 2014:

Description	Balance at June 30, 2014
Owners participation loans	\$ 500,000
First time home buyer down payment assistance loans	440,000
Rehabilitation loans	26,205
Other loans	<u>39,786</u>
Total loans receivable at June 30, 2014	<u><u>\$ 1,005,991</u></u>

Note 7: 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. This is shown as a restricted investment. The amount of deposit with the City of Riverside as of June 30, 2014, amounted to \$1,021,715.

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 8: Long-Term Debt

The following is a summary of the changes in long-term debt for the fiscal year ended June 30, 2014:

	Balance at July 1, 2013	Incurred	Retired	Balance at June 30, 2014	Due Within One Year
Governmental Activities:					
2011 Refunding Lease	\$ 2,826,194	\$ -	\$ 333,112	\$ 2,493,082	\$ 345,720
Compensated Absences					
Governmental Funds	1,150,696	249,700	439,100	961,296	366,826
Internal Service Funds	198,130	95,841	111,315	182,656	123,192
Claims and Judgment	919,981	953,090	483,151	1,389,920	19,961
Total	\$ 5,095,001	\$ 1,298,631	\$ 1,366,678	\$ 5,026,954	\$ 855,699
Business-Type Activities:					
Loans Payable	\$ 2,172,519	\$ -	\$ 247,804	\$ 1,924,715	\$ 254,247
2005 Water Revenue Bond	30,740,000	-	770,000	29,970,000	805,000
2005 Wastewater Revenue Bond	5,560,000	-	145,000	5,415,000	155,000
2007 Electric Revenue Bond	36,085,000	-	880,000	35,205,000	935,000
Compensated Absences	788,095	319,101	364,201	742,995	343,359
Total	\$ 75,345,614	\$ 319,101	\$ 2,407,005	73,257,710	\$ 2,492,606
Less:					
Unamortized original issue premium				1,536,719	
Unamortized original issue discount				<u>(90,653)</u>	
Net Business-Type Activities				\$ 74,703,776	

a. Compensated Absences

For governmental activities, accumulated vacation, sick leave benefits, holiday and compensatory time payable at June 30, 2014, was \$1,143,952 which includes \$182,656 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 \$742,955.

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, 2014, the outstanding balance on the refunding lease agreement is \$2,493,082.

CITY OF BANNING**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
JUNE 30, 2014**Note 8: Long-Term Debt (Continued)**

Year Ending June 30,	Principal	Interest	Total
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	401,112	34,888	436,000
2020-2022	628,572	23,685	652,257
Total	\$ 2,493,082	\$ 339,175	\$ 2,832,257

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, 2014, the outstanding balance on the refunding lease agreement is \$29,970,000. The total debt service payment requirements with respect to the above bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
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	945,000	1,342,947	2,287,947
2020 - 2024	5,415,000	5,996,753	11,411,753
2025 - 2029	6,940,000	4,423,650	11,363,650
2030 - 2034	8,960,000	2,347,275	11,307,275
2035 - 2037	4,280,000	227,588	4,507,588
Totals	\$ 29,970,000	\$ 20,074,489	\$ 50,044,489

CITY OF BANNING**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
JUNE 30, 2014

Note 8: 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, 2014, amounted to \$5,415,000.

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

Year Ending June 30,	Principal	Interest	Total
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	180,000	212,494	392,494
2020 - 2024	1,010,000	939,788	1,949,788
2025 - 2029	1,260,000	685,756	1,945,756
2030 - 2034	1,580,000	359,131	1,939,131
2035 - 2036	735,000	34,341	769,341
Total	\$ 5,415,000	\$ 3,150,035	\$ 8,565,035

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 service charge of 2.6% per annum. The loan is to be repaid within 20 years through 20 equal annual installments of principal and service charges. The outstanding loan balance at June 30, 2014, was \$1,924,715. The loan is recorded in the BUA Wastewater Utility Enterprise Fund.

CITY OF BANNING**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
JUNE 30, 2014**Note 8: Long-Term Debt (Continued)**

Year Ending June 30,	Principal	Service Charge	Total
2015	\$ 254,247	\$ 50,043	\$ 304,290
2016	260,857	43,432	304,289
2017	267,639	36,650	304,289
2018	274,597	26,691	301,288
2019	281,735	22,552	304,287
2020	585,640	22,938	608,578
Total	\$ 1,924,715	\$ 202,306	\$ 2,127,021

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, 2014, amounted to \$35,205,000. The total debt service payment requirements with respect to the above bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
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	1,125,000	1,544,300	2,669,300
2020 - 2024	6,530,000	6,819,250	13,349,250
2025 - 2029	8,295,000	5,056,325	13,351,325
2030 - 2034	8,620,000	2,890,750	11,510,750
2035 - 2038	6,640,000	850,500	7,490,500
Total	\$ 35,205,000	\$ 23,842,063	\$ 59,047,063

Note 9: 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, 2014

Note 9: 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, 2014</u>
AD 2004-1	\$ 2,898,000	\$ 2,460,000

Note 10: 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, 2014.

Note 11: City Employees Retirement Plan (Defined Benefit Pension Plan)

a. PERS

Miscellaneous Plan

Plan Description

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

Funding Policy

Participants are required to contribute 8% of their annual covered salary and the City 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, 2014, was 20.255% 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, 2014**Note 11: City Employees Retirement Plan (Defined Benefit Pension Plan) (Continued)****Annual Pension Cost and Funding Progress**

For the year ended June 30, 2014, the City's annual pension cost (employer contribution) of \$1,484,981 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
6/30/2012	\$ 1,107,308	100%	\$ -
6/30/2013	1,226,999	100%	-
6/30/2014	1,484,981	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, 2014**Note 11: City Employees Retirement Plan (Defined Benefit Pension Plan) (Continued)**Schedule of Funding Progress for PERS Miscellaneous Plan
Most Current Available

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
6/30/2011	\$ 51,555,198	\$ 35,196,805	\$ 16,358,393	68.3%	\$ 6,612,861	247.4%
6/30/2012	53,646,029	34,363,332	19,282,697	64.1%	6,814,854	283.0%
6/30/2013	56,712,501	38,168,680	18,543,821	67.3%	7,210,942	257.2%

Safety Plan**Plan Description**

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

Funding Policy

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, 2014, was 41.376% 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, 2014, the City's annual pension cost (employer contribution) of \$986,426 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, 2014

Note 11: 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
6/30/2012	\$ 969,995	100%	\$ -
6/30/2013	942,606	100%	-
6/30/2014	986,426	100%	-

* Employer contribution

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

Plan Changes

On January 1, 2013, the Public Employees' Pension Reform Act of 2013 (PEPRA) took effect.

The impact of most of the PEPRA changes will first show up in the rates and the benefit provision listings of the June 30, 2013, valuation, which sets the contribution rates for the 2015-16 fiscal year. For more detailed information on changes due to PEPRA, please refer to the CalPERS website.

On April 17, 2013, the CalPERS Board of Administration approved a recommendation to change the CalPERS amortization and rate smoothing policies. Beginning with the June 30, 2013 valuation that set the 2015-16 rates, CalPERS will employ an amortization and smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a 5-year period.

A review of the preferred asset allocation mix for CalPERS investment portfolio was performed in late 2013. A change in the preferred asset allocation mix could potentially influence future discount rates. In addition, CalPERS will review economic and demographic assumptions, including mortality rate improvements that are likely to increase employer contribution rates in future years.

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.

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS (CONTINUED) **JUNE 30, 2014**

Note 11: City Employees Retirement Plan (Defined Benefit Pension Plan) (Continued)

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 \$8,414 (7.5% of covered payroll). Total payroll for employees covered under this plan for the year was \$112,188.

Note 12: Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are solely the property and rights of the employee. Participants' rights under the plan are equal to an amount equal to the fair market of the deferred account for each participant. The City has no liability for losses under the plan.

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2014

Note 13: 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, 2014, the amount of these liabilities was \$1,389,920. The amount represents an estimate of \$805,821 for reported claims through June 30, 2014, and \$111,599 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, 2014, resulted from the following:

Year	Liability at Beginning of Fiscal Year	Claims and Changes in Estimates	Claim Payments	Liability at End of Fiscal Year
2013	\$ 917,420	\$ 283,491	\$ 280,930	\$ 919,981
2014	919,981	953,090	483,151	1,389,920

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 14: 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, 2014

Note 14: 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, 2014, (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, 2014:

	Amounts (in thousands)
Total Assets	\$ 3,534
Total Liabilities	<u>3,597</u>
Total Net Position	<u>\$ (63)</u>
Beginning Net Position	\$ (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 Position	<u>\$ (63)</u>

Separate audited financial statements for SCPPA are available from SCPPA.

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2014

Note 14: Commitments and Contingencies (Continued)

The following material construction commitments existed at June 30, 2014:

Project Name	Contract Amount	Expenditures to date as of June 30, 2014	Remaining Commitments
Sunset Grade Separation-Riv. Cty Transportation	\$ 4,200,000	\$ 3,960,000	\$ 240,000
Street lights	905,181	481,740	423,441
Wastewater Treatment Plant Expansion	2,397,929	2,169,810	228,119
Hydroelectric Rehab	702,350	161,000	541,350
Mgmt - Downtown Underground Conv	178,144	19,523	158,621
Downtown Underground Phase 3	1,324,230	-	1,324,230
	<u>\$ 9,707,834</u>	<u>\$ 6,792,073</u>	<u>\$ 2,915,761</u>

Note 15: 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.

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.

CITY OF BANNING**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
JUNE 30, 2014

Note 15: Successor Agency Trust For Assets of Former Redevelopment Agency (Continued)

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	\$ 4,133,213
Cash and investments with fiscal agent	<u>11,208,860</u>
	<u>\$ 15,342,073</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, 2014:

Description	Balance at June 30, 2014
Owners participation loans	\$ 5,036,589
Disposition and development agreements	<u>1,020,000</u>
Total loans receivable at June 30, 2014	<u>\$ 6,056,589</u>

During the Fiscal Year ending June 30, 2014, \$126,200 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, 2014

Note 15: Successor Agency Trust For Assets of Former Redevelopment Agency (Continued)

c. Capital Assets

An analysis of capital assets as of June 30, 2014, follows:

	Balance July 1, 2013	Transfers	Additions	Deletions	Balance June 30, 2014
Nondepreciable Assets:					
Land Held for Resale	\$ 2,599,402	\$ 3,279,425	\$ 300,000	\$ -	\$ 6,178,827
Land	3,283,270	(3,279,425)	-	-	3,845
Construction-in-progress	32,335	(60,035)	27,700	-	-
Total nondepreciable assets	5,915,007	(60,035)	327,700	-	6,182,672
Depreciable Assets:					
Land Improvements	2,201,160	-	-	-	2,201,160
Building and Structures	1,830,092	-	-	-	1,830,092
Machinery and Equipment	28,378	-	-	-	28,378
Infrastructure	3,247,954	60,035	-	-	3,307,989
Total depreciable assets	7,307,584	60,035	-	-	7,367,619
Less Accumulated Depreciation					
Land Improvements	514,910	-	101,267	-	616,177
Building and Structures	157,703	-	52,390	-	210,093
Machinery and Equipment	28,378	-	-	-	28,378
Infrastructure	363,670	-	99,945	-	463,615
Total Accumulated Depreciation	1,064,661	-	253,602	-	1,318,263
Total depreciable assets, net	6,242,923	60,035	(253,602)	-	6,049,356
Capital Assets	\$ 12,157,930	\$ -	\$ 74,098	\$ -	\$ 12,232,028

d. Long-Term Debt

A description of long-term debt outstanding of the Successor Agency as of June 30, 2014, follows:

	Balance 1, 2013	July Additions	Repayments	Balance June 30, 2014	Due Within One Year
Fiduciary Funds:					
2003 Tax Allocation Bonds	\$ 10,560,000	\$ -	\$ 460,000	\$ 10,100,000	\$ 480,000
2007 Tax Allocation Bonds	28,280,000	-	695,000	27,585,000	710,000
Loans Payable	1,050,901	-	914,246	136,655	11,648
City of Banning Electric Utility Fund	19,473	-	19,473	-	-
SERAf loan	2,298,433	-	-	2,298,433	-
Total Fiduciary Funds	\$ 42,208,807	\$ -	\$ 2,088,719	40,120,088	\$ 1,201,648
Unamortized Premiums/Discounts					
				(670,432)	
Total Long-term Debt					
				\$ 39,449,656	

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, 2014

Note 15: 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 \$10,100,000.

Year Ending June 30,	Principal	Interest	Total
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
2109	570,000	387,360	957,360
2020 - 2024	3,290,000	1,476,250	4,766,250
2025 - 2029	<u>4,195,000</u>	<u>545,125</u>	<u>4,740,125</u>
Total	<u>\$ 10,100,000</u>	<u>\$ 4,195,103</u>	<u>\$ 14,295,103</u>

f. 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, 2014, totaled \$27,585,000.

CITY OF BANNING**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
JUNE 30, 2014**Note 15: Successor Agency Trust For Assets of Former Redevelopment Agency (Continued)**

Year Ending June 30,	Principal	Interest	Total
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	835,000	1,023,728	1,858,728
2020 - 2024	4,695,000	4,582,616	9,277,616
2025 - 2029	5,745,000	3,508,122	9,253,122
2030 - 2034	7,750,000	1,978,359	9,728,359
2035 - 2039	<u>5,515,000</u>	<u>464,734</u>	<u>5,979,734</u>
Total	<u><u>\$ 27,585,000</u></u>	<u><u>\$ 15,945,044</u></u>	<u><u>\$ 43,530,044</u></u>

g. 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, 2014, the outstanding balance on the note payable is \$136,655.

Year Ending June 30,	Principal	Interest	Total
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	14,985	5,546	20,531
2020 - 2023	<u>70,335</u>	<u>11,789</u>	<u>82,124</u>
Total	<u><u>\$ 136,655</u></u>	<u><u>\$ 48,122</u></u>	<u><u>\$ 184,777</u></u>

h. 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, 2014, the outstanding balance on the note payable is \$0.

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS (CONTINUED) **JUNE 30, 2014**

Note 15: Successor Agency Trust For Assets of Former Redevelopment Agency (Continued)

i. 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, 2014, the outstanding balance is \$0.

j. 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.

k. 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 \$60,308,357 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 \$3,184,770 and the debt service obligation on the bonds was \$3,795,688.

l. 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 13.

m. Commitments and Contingencies

At June 30, 2014, 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.

Note 16: Fund Balance/Net Position Restatement

A restatement of \$16,288 was made to properly recognize unearned Supplemental Law Enforcement revenues as unearned revenues, which was previously recorded as revenue without a corresponding expenditure/expense.

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2014

	Budget Amounts	Actual Amounts	Variance with Final Budget
	Original	Final	Positive (Negative)
Budgetary Fund Balance, July 1	\$ 5,437,570	\$ 5,437,570	\$ -
Resources (Inflows):			
Taxes:			
Sales and use	2,550,426	2,742,137	175,807
Property	3,671,094	4,015,414	(14,267)
Franchise	836,000	826,000	35,155
Transient occupancy	550,000	590,000	122,135
Other	338,685	271,685	10,565
Subtotal	7,946,205	8,445,236	329,395
Licenses and permits:			
Building permits	57,000	87,192	506
Other permits	59,450	118,324	13,976
Subtotal	116,450	205,516	14,482
Intergovernmental:			
Other intergovernmental revenues	106,800	297,278	(19,252)
Subtotal	106,800	297,278	(19,252)
Charges for services:			
Engineering, police, fire and other fees	413,660	770,116	(396,374)
Recreation fees	61,250	56,900	8,355
Interfund charges	2,734,600	3,144,079	(2,628)
Subtotal	3,209,510	3,971,095	(390,647)
Use of money and property:			
Interest and rents	512,376	481,228	29,855
Subtotal	512,376	481,228	29,855
Fines and forfeitures			
Parking fines	9,750	33,000	(21,323)
Court fines and other fines	275,800	228,550	50,898
Subtotal	285,550	261,550	29,575
Contributions	5,400	12,030	(303)
Miscellaneous	234,565	357,021	147,202
Transfers in	651,000	718,200	1,803
Subtotal	890,965	1,087,251	148,702
Total Resources (inflows)	13,067,856	14,749,154	142,110
Amounts Available for Appropriation	18,505,426	20,186,724	142,110

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Charges to Appropriation (Outflow):				
General government				
City council	142,710	168,228	162,451	5,777
City manager	350,131	462,963	360,185	102,778
Personnel	154,539	215,485	181,485	34,000
City clerk	90,961	92,843	88,876	3,967
Elections	-	498	498	-
City attorney	161,000	425,897	425,897	-
Finance	266,539	288,506	261,675	26,831
Community enhancement	5,777	20,061	15,833	4,228
Central services	837,482	1,099,733	862,803	236,930
Subtotal	2,009,139	2,774,214	2,359,703	414,511
Public safety				
Police	5,860,607	5,672,268	5,330,056	342,212
Animal control	142,450	155,450	118,180	37,270
Fire	2,430,049	2,606,880	2,499,426	107,454
Dispatch	833,733	793,240	767,431	25,809
Subtotal	9,266,839	9,227,838	8,715,093	512,745
Parks and recreation				
Parks	316,074	279,709	222,523	57,186
Recreation	333,339	374,810	376,648	(1,838)
Subtotal	649,413	654,519	599,171	55,348
Public works				
Building safety	428,634	484,211	466,985	17,226
Planning	427,211	841,731	514,909	326,822
Engineering	211,830	263,111	229,206	33,905
Building maintenance	109,854	111,082	87,966	23,116
Subtotal	1,177,529	1,700,135	1,299,066	401,069
Capital outlay	67,023	289,593	153,674	135,919
Debt service:				
Principal retirement	333,873	333,873	333,112	761
Interest and fiscal charges	103,128	103,128	103,141	(13)
Transfers out	91,325	164,325	164,325	-
Subtotal	595,349	890,919	754,252	136,667
Total Charges to Appropriations	13,698,269	15,247,625	13,727,285	1,520,340
Budgetary Fund Balance, June 30	\$ 4,807,157	\$ 4,939,099	\$ 6,601,549	\$ 1,662,450

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CITY OF BANNING

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2014

I. STEWARDSHIP

Note 1: Stewardship, Compliance and Accountability

a. Budgets and Budgetary Accounting

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

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

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

Budgetary comparison is provided in the accompanying financial statements for the General Fund, Special Revenue Funds, Capital Projects Funds and Debt Service Funds, except for the State Park Bond Act Fund, Asset Forfeiture Fund, Animal Control Reserve Fund, Ramsey/Highland Home Signal Fund, Wilson Median Improvement, Police Facilities Development Fund, Fire Facilities Development Fund, Traffic Control Facilities Fund, Park Development Fund, and Capital Improvement 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).

CITY OF BANNING

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014

	Special Revenue Funds			
	Gas Tax Street	Measure A	SB 300 Street	Article 3 Sidewalk
Assets:				
Pooled cash and investments	\$ 703,770	\$ 1,508,272	\$ 85,858	\$ 111
Receivables:				
Accounts	5,904	-	-	-
Loans	-	-	-	-
Interest	1,168	3,094	163	-
Due from other governments	92,672	95,601	-	-
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
Total Assets	\$ 803,514	\$ 1,606,967	\$ 86,021	\$ 111
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ 25,940	\$ 25,607	\$ -	\$ 13,246
Accrued liabilities	10,412	-	-	-
Unearned revenues	-	-	-	-
Deposits payable	95,961	-	-	-
Due to other funds	-	-	-	129,000
Total Liabilities	132,313	25,607	-	142,246
Deferred Inflows of Resources:				
Unavailable revenues	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-
Fund Balances:				
Restricted for:				
Community development projects	-	-	-	-
Public safety	-	-	-	-
Parks and recreation	-	-	-	-
Public works	671,201	1,581,360	-	-
Capital Projects	-	-	86,021	-
Assigned to:				
Capital Projects	-	-	-	-
Unassigned	-	-	-	(142,135)
Total Fund Balances	671,201	1,581,360	86,021	(142,135)
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 803,514	\$ 1,606,967	\$ 86,021	\$ 111

CITY OF BANNING

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014

(CONTINUED)

	Special Revenue Funds			
	Community Development Block Grant	Landscape Maintenance District	AQMD Air Pollution Program	Asset Forfeiture
Assets:				
Pooled cash and investments	\$ 275	\$ 238,358	\$ 231,278	\$ 2,507
Receivables:				
Accounts	-	-	-	-
Loans	-	-	-	-
Interest	-	478	425	5
Due from other governments	65,400	2,711	9,720	-
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
Total Assets	\$ 65,675	\$ 241,547	\$ 241,423	\$ 2,512
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ 98,677	\$ 1,841	\$ -	\$ -
Accrued liabilities	-	-	-	-
Unearned revenues	-	-	-	-
Deposits payable	-	-	-	-
Due to other funds	13,500	-	-	-
Total Liabilities	112,177	1,841	-	-
Deferred Inflows of Resources:				
Unavailable revenues	-	1,549	-	-
Total Deferred Inflows of Resources	-	1,549	-	-
Fund Balances:				
Restricted for:				
Community development projects	-	-	-	-
Public safety	-	-	-	2,512
Parks and recreation	-	-	-	-
Public works	-	-	241,423	-
Capital Projects	-	238,157	-	-
Assigned to:				
Capital Projects	-	-	-	-
Unassigned	(46,502)	-	-	-
Total Fund Balances	(46,502)	238,157	241,423	2,512
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 65,675	\$ 241,547	\$ 241,423	\$ 2,512

CITY OF BANNING

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014

	Special Revenue Funds			
	Supplemental Law Enforcement	State Park Bond Act	Special Donations	Senior Center Activities
Assets:				
Pooled cash and investments	\$ 169,568	\$ 936	\$ 25,374	\$ 51,756
Receivables:				
Accounts	-	-	-	-
Loans	-	-	-	-
Interest	305	2	-	103
Due from other governments	16,667	-	-	-
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
Total Assets	<u>\$ 186,540</u>	<u>\$ 938</u>	<u>\$ 25,374</u>	<u>\$ 51,859</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ 48,849	\$ -	\$ 270	\$ -
Accrued liabilities	-	-	-	-
Unearned revenues	137,691	-	-	-
Deposits payable	-	-	2,156	-
Due to other funds	-	-	-	-
Total Liabilities	<u>186,540</u>	<u>-</u>	<u>2,426</u>	<u>-</u>
Deferred Inflows of Resources:				
Unavailable revenues	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Restricted for:				
Community development projects	-	-	-	-
Public safety	-	-	-	-
Parks and recreation	-	-	22,948	51,859
Public works	-	-	-	-
Capital Projects	-	938	-	-
Assigned to:				
Capital Projects	-	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>-</u>	<u>938</u>	<u>22,948</u>	<u>51,859</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 186,540</u>	<u>\$ 938</u>	<u>\$ 25,374</u>	<u>\$ 51,859</u>

CITY OF BANNING

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014

(CONTINUED)

	Special Revenue Funds			
	Animal Control Reserve	Police Volunteer	Ramsey/Highland Home Signal	Wilson Median Improvement
Assets:				
Pooled cash and investments	\$ 4,912	\$ 1,335	\$ 80,798	\$ 378,079
Receivables:				
Accounts	-	-	-	-
Loans	-	-	-	-
Interest	9	3	153	716
Due from other governments	-	-	-	-
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
Total Assets	\$ 4,921	\$ 1,338	\$ 80,951	\$ 378,795
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ 11	\$ -	\$ -
Accrued liabilities	-	-	-	-
Unearned revenues	-	-	-	-
Deposits payable	-	-	-	-
Due to other funds	-	-	-	-
Total Liabilities	-	11	-	-
Deferred Inflows of Resources:				
Unavailable revenues	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-
Fund Balances:				
Restricted for:				
Community development projects	-	-	-	-
Public safety	4,921	1,327	-	-
Parks and recreation	-	-	-	-
Public works	-	-	80,951	378,795
Capital Projects	-	-	-	-
Assigned to:				
Capital Projects	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	4,921	1,327	80,951	378,795
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 4,921	\$ 1,338	\$ 80,951	\$ 378,795

CITY OF BANNING

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014

	Special Revenue Funds		Capital Projects Funds		
	Riverside County MOU	Banning Housing Authority	Police Facilities Development	Fire Facilities Development	Traffic Control Facilities
Assets:					
Pooled cash and investments	\$ 97	\$ 508,771	\$ 34,853	\$ 936,243	\$ 425,315
Receivables:					
Accounts	-	-	-	-	-
Loans	-	966,205	-	-	-
Interest	-	964	66	1,774	806
Due from other governments	489,764	2,298,433	-	-	-
Restricted assets:					
Cash and investments with fiscal agents	-	-	-	-	-
Total Assets	\$ 489,861	\$ 3,774,373	\$ 34,919	\$ 938,017	\$ 426,121
Liabilities, Deferred Inflows of Resources, and Fund Balances:					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	18,960	-	-	-	-
Unearned revenues	-	-	-	-	-
Deposits payable	-	-	-	-	-
Due to other funds	329,750	-	-	-	-
Total Liabilities	348,710	-	-	-	-
Deferred Inflows of Resources:					
Unavailable revenues	-	966,205	-	-	-
Total Deferred Inflows of Resources	-	966,205	-	-	-
Fund Balances:					
Restricted for:					
Community development projects	-	2,808,168	-	-	-
Public safety	141,151	-	-	-	-
Parks and recreation	-	-	-	-	-
Public works	-	-	-	-	-
Capital Projects	-	-	-	-	-
Assigned to:					
Capital Projects	-	-	34,919	938,017	426,121
Unassigned	-	-	-	-	-
Total Fund Balances	141,151	2,808,168	34,919	938,017	426,121
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 489,861	\$ 3,774,373	\$ 34,919	\$ 938,017	\$ 426,121

CITY OF BANNING

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014

	Capital Projects Funds			Total Governmental Funds
	General Facilities	Park Development	Capital Improvement	
Assets:				
Pooled cash and investments	\$ 431,759	\$ 158,182	\$ 215	\$ 5,978,622
Receivables:				
Accounts	-	-	-	5,904
Loans	-	-	-	966,205
Interest	819	300	-	11,353
Due from other governments	-	-	-	3,070,968
Restricted assets:				
Cash and investments with fiscal agents	-	-	657,693	657,693
Total Assets	\$ 432,578	\$ 158,482	\$ 657,908	\$ 10,690,745
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ 214,441
Accrued liabilities	-	-	-	29,372
Unearned revenues	-	-	-	137,691
Deposits payable	-	-	-	98,117
Due to other funds	-	-	19,500	491,750
Total Liabilities	-	-	19,500	971,371
Deferred Inflows of Resources:				
Unavailable revenues	-	-	-	967,754
Total Deferred Inflows of Resources	-	-	-	967,754
Fund Balances:				
Restricted for:				
Community development projects	-	-	-	2,808,168
Public safety	-	-	-	149,911
Parks and recreation	-	-	-	74,807
Public works	-	-	-	2,953,730
Capital Projects	-	-	-	325,116
Assigned to:				
Capital Projects	432,578	158,482	638,408	2,628,525
Unassigned	-	-	-	(188,637)
Total Fund Balances	432,578	158,482	638,408	8,751,620
Total Liabilities, Deferred Inflows of Resources, and Fund Balances				
	\$ 432,578	\$ 158,482	\$ 657,908	\$ 10,690,745

CITY OF BANNING

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	Special Revenue Funds			
	Gas Tax Street	Measure A	SB 300 Street	Article 3 Sidewalk
Revenues:				
Taxes	\$ -	\$ 495,479	\$ -	\$ -
Intergovernmental	944,456	-	-	-
Charges for services	-	-	-	-
Use of money and property	3,036	7,694	441	28
Contributions	-	-	-	-
Miscellaneous	7,196	-	-	-
Total Revenues	954,688	503,173	441	28
Expenditures:				
Current:				
Public safety	-	-	-	-
Parks and recreation	-	-	-	-
Public works	934,333	22,686	-	-
Capital outlay	39,974	176,756	-	222,060
Total Expenditures	974,307	199,442	-	222,060
Excess (Deficiency) of Revenues Over (Under) Expenditures	(19,619)	303,731	441	(222,032)
Other Financing Sources (Uses):				
Transfers in	168,322	17,159	-	66,638
Transfers out	(9,581)	(66,638)	(7,578)	-
Total Other Financing Sources (Uses)	158,741	(49,479)	(7,578)	66,638
Net Change in Fund Balances	139,122	254,252	(7,137)	(155,394)
Fund Balances, Beginning of Year	532,079	1,327,108	93,158	13,259
Restatements	-	-	-	-
Fund Balances, Beginning of Year, as Restated	532,079	1,327,108	93,158	13,259
Fund Balances, End of Year	\$ 671,201	\$ 1,581,360	\$ 86,021	\$ (142,135)

CITY OF BANNING

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

(CONTINUED)

		Special Revenue Funds		
	Community Development Block Grant	Landscape Maintenance District	AQMD Air Pollution Program	Asset Forfeiture
Revenues:				
Taxes	\$ -	\$ 136,454	\$ -	\$ -
Intergovernmental	66,400	-	37,241	-
Charges for services	-	-	-	-
Use of money and property	-	1,058	1,083	13
Contributions	-	-	-	-
Miscellaneous	-	177	-	-
Total Revenues	66,400	137,689	38,324	13
Expenditures:				
Current:				
Public safety	-	-	-	-
Parks and recreation	112,903	-	-	-
Public works	-	114,893	3,000	-
Capital outlay	-	-	-	-
Total Expenditures	112,903	114,893	3,000	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(46,503)	22,796	35,324	13
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	(46,503)	22,796	35,324	13
Fund Balances, Beginning of Year	1	215,361	206,099	2,499
Restatements	-	-	-	-
Fund Balances, Beginning of Year, as Restated	1	215,361	206,099	2,499
Fund Balances, End of Year	\$ (46,502)	\$ 238,157	\$ 241,423	\$ 2,512

CITY OF BANNING

COMBINING STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2014

	Special Revenue Funds			
	Supplemental Law Enforcement	State Park Bond Act	Special Donations	Senior Center Activities
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for services	-	-	-	70
Use of money and property	709	5	-	277
Contributions	3,597	-	10,728	1,619
Miscellaneous	-	-	-	2,274
Total Revenues	4,306	5	10,728	4,240
Expenditures:				
Current:				
Public safety	22,557	-	-	-
Parks and recreation	-	-	6,193	11,607
Public works	-	-	-	-
Capital outlay	51,651	-	-	-
Total Expenditures	74,208	-	6,193	11,607
Excess (Deficiency) of Revenues Over (Under) Expenditures	(69,902)	5	4,535	(7,367)
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	(69,902)	5	4,535	(7,367)
Fund Balances, Beginning of Year	86,190	933	18,413	59,226
Restatements	(16,288)	-	-	-
Fund Balances, Beginning of Year, as Restated	69,902	933	18,413	59,226
Fund Balances, End of Year	\$ -	\$ 938	\$ 22,948	\$ 51,859

CITY OF BANNING

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

(CONTINUED)

	Special Revenue Funds			
	Animal Control Reserve	Police Volunteer	Ramsey/ Highland Home Signal	Wilson Median Improvement
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Use of money and property	25	8	403	1,885
Contributions	-	-	-	-
Miscellaneous	-	-	-	-
Total Revenues	25	8	403	1,885
Expenditures:				
Current:				
Public safety	-	1,515	-	-
Parks and recreation	-	-	-	-
Public works	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	-	1,515	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	25	(1,507)	403	1,885
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	25	(1,507)	403	1,885
Fund Balances, Beginning of Year	4,896	2,834	80,548	376,910
Restatements	-	-	-	-
Fund Balances, Beginning of Year, as Restated	4,896	2,834	80,548	376,910
Fund Balances, End of Year	\$ 4,921	\$ 1,327	\$ 80,951	\$ 378,795

CITY OF BANNING

COMBINING STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2014

	Special Revenue Funds		Capital Projects Funds		
	Riverside County MOU	Banning Housing Authority	Police Facilities Development	Fire Facilities Development	Traffic Control Facilities
Revenues:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	489,764	-	-	-	-
Charges for services	-	-	-	-	-
Use of money and property	136	2,514	173	4,666	2,119
Contributions	-	-	-	-	-
Miscellaneous	-	20,000	823	1,335	250
Total Revenues	489,900	22,514	996	6,001	2,369
Expenditures:					
Current:					
Public safety	583,119	-	-	-	-
Parks and recreation	-	-	-	-	-
Public works	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total Expenditures	583,119	-	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(93,219)	22,514	996	6,001	2,369
Other Financing Sources (Uses):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-
Net Change in Fund Balances	(93,219)	22,514	996	6,001	2,369
Fund Balances, Beginning of Year	234,370	2,785,654	33,923	932,016	423,752
Restatements	-	-	-	-	-
Fund Balances, Beginning of Year, as Restated	234,370	2,785,654	33,923	932,016	423,752
Fund Balances, End of Year	\$ 141,151	\$ 2,808,168	\$ 34,919	\$ 938,017	\$ 426,121

CITY OF BANNING

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	Capital Projects Funds			Total Governmental Funds
	General Facilities	Park Development	Capital Improvement	
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ 631,933
Intergovernmental	-	-	-	1,537,861
Charges for services	-	-	-	70
Use of money and property	2,202	788	214	29,477
Contributions	-	-	-	15,944
Miscellaneous	478	1,955	-	34,488
Total Revenues	2,680	2,743	214	2,249,773
Expenditures:				
Current:				
Public safety	-	-	-	607,191
Parks and recreation	-	-	-	130,703
Public works	-	-	-	1,074,912
Capital outlay	44,781	-	-	535,222
Total Expenditures	44,781	-	-	2,348,028
Excess (Deficiency) of Revenues Over (Under) Expenditures	(42,101)	2,743	214	(98,255)
Other Financing Sources (Uses):				
Transfers in	-	-	-	252,119
Transfers out	-	-	-	(83,797)
Total Other Financing Sources (Uses)	-	-	-	168,322
Net Change in Fund Balances	(42,101)	2,743	214	70,067
Fund Balances, Beginning of Year	474,679	155,739	638,194	8,697,841
Restatements	-	-	-	(16,288)
Fund Balances, Beginning of Year, as Restated	474,679	155,739	638,194	8,681,553
Fund Balances, End of Year	\$ 432,578	\$ 158,482	\$ 638,408	\$ 8,751,620

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
GAS TAX STREET
YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 532,079	\$ 532,079	\$ 532,079	\$ -
Resources (Inflows):				
Intergovernmental	791,000	1,224,806	944,456	(280,350)
Use of money and property	3,675	1,397	3,036	1,639
Miscellaneous	2,300	2,300	7,196	4,896
Transfers in	164,325	206,125	168,322	(37,803)
Amounts Available for Appropriations		1,493,379	1,966,707	1,655,089
Charges to Appropriation (Outflow):				
Public works	1,024,689	1,031,387	934,333	97,054
Capital outlay	-	417,500	39,974	377,526
Transfers out	-	426,957	9,581	417,376
Total Charges to Appropriations		1,024,689	1,875,844	983,888
Budgetary Fund Balance, June 30		\$ 468,690	\$ 90,863	\$ 671,201
				\$ 580,338

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
MEASURE A
YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,327,108	\$ 1,327,108	\$ 1,327,108	\$ -
Resources (Inflows):				
Taxes	410,000	470,000	495,479	25,479
Use of money and property	8,000	2,200	7,694	5,494
Transfers in	-	449,303	17,159	(432,144)
Amounts Available for Appropriations		1,745,108	2,248,611	(401,171)
Charges to Appropriation (Outflow):				
Public works	-	37,226	22,686	14,540
Capital outlay	410,000	1,091,484	176,756	914,728
Transfers out	-	116,375	66,638	49,737
Total Charges to Appropriations		410,000	1,245,085	266,080
Budgetary Fund Balance, June 30		\$ 1,335,108	\$ 1,003,526	\$ 1,581,360
				\$ 577,834

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
 SB 300 STREET
 YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
Budgetary Fund Balance, July 1	\$ 93,158	\$ 93,158	\$ 93,158	\$ -
Resources (Inflows):				
Use of money and property	725	425	441	16
Amounts Available for Appropriations	93,883	93,583	93,599	16
Charges to Appropriation (Outflow):				
Transfers out	-	22,346	7,578	14,768
Total Charges to Appropriations	-	22,346	7,578	14,768
Budgetary Fund Balance, June 30	\$ 93,883	\$ 71,237	\$ 86,021	\$ 14,784

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
 ARTICLE 3 SIDEWALK
 YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 13,259	\$ 13,259	\$ 13,259	\$ -
Resources (Inflows):				
Intergovernmental	-	180,000	-	(180,000)
Use of money and property	300	-	28	28
Transfers in	-	116,375	66,638	(49,737)
Amounts Available for Appropriations	13,559	309,634	79,925	(229,709)
Charges to Appropriation (Outflow):				
Capital outlay	-	291,500	222,060	69,440
Total Charges to Appropriations	-	291,500	222,060	69,440
Budgetary Fund Balance, June 30	\$ 13,559	\$ 18,134	\$ (142,135)	\$ (160,269)

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
 COMMUNITY DEVELOPMENT BLOCK GRANT
 YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	\$	Variance with Final Budget
	Original	Final			Positive (Negative)
Budgetary Fund Balance, July 1	\$ 1	\$ 1	\$ 1	\$ -	-
Resources (Inflows):					
Intergovernmental	273,862	-	66,400	\$ 66,400	66,400
Amounts Available for Appropriations	273,863	1	66,401	\$ 66,400	66,400
Charges to Appropriation (Outflow):					
Parks and recreation	-	763,412	112,903	\$ 650,509	650,509
Total Charges to Appropriations	-	763,412	112,903	\$ 650,509	650,509
Budgetary Fund Balance, June 30	\$ 273,863	\$ (763,411)	\$ (46,502)	\$ 716,909	

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
 LANDSCAPE MAINTENANCE DISTRICT
 YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 215,361	\$ 215,361	\$ 215,361	\$ -
Resources (Inflows):				
Taxes	135,060	137,518	136,454	(1,064)
Use of money and property	750	500	1,058	558
Miscellaneous	-	121	177	56
Amounts Available for Appropriations	351,171	353,500	353,050	(450)
Charges to Appropriation (Outflow):				
Public works	138,252	128,994	114,893	14,101
Total Charges to Appropriations	138,252	128,994	114,893	14,101
Budgetary Fund Balance, June 30	\$ 212,919	\$ 224,506	\$ 238,157	\$ 13,651

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
 AQMD AIR POLLUTION PROGRAM
 YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 206,099	\$ 206,099	\$ 206,099	\$ -
Resources (Inflows):				
Intergovernmental	25,000	30,000	37,241	7,241
Use of money and property	250	250	1,083	833
Amounts Available for Appropriations	231,349	236,349	244,423	8,074
Charges to Appropriation (Outflow):				
Public works	3,000	3,000	3,000	-
Capital outlay	-	40,000	-	40,000
Total Charges to Appropriations	3,000	43,000	3,000	40,000
Budgetary Fund Balance, June 30	\$ 228,349	\$ 193,349	\$ 241,423	\$ 48,074

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
SUPPLEMENTAL LAW ENFORCEMENT
YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Budgetary Fund Balance, July 1, as restated	\$ 69,902	\$ 69,902	\$ 69,902	\$ -
Resources (Inflows):				
Intergovernmental	-	25,000	-	(25,000)
Use of money and property	-	100	709	609
Contributions	-	100,000	3,597	(96,403)
Amounts Available for Appropriations	69,902	195,002	74,208	(120,794)
Charges to Appropriation (Outflow):				
Public safety	-	22,693	22,557	136
Capital outlay	-	188,498	51,651	136,847
Total Charges to Appropriations	-	211,191	74,208	136,983
Budgetary Fund Balance, June 30	\$ 69,902	\$ (16,189)	\$ -	\$ 16,189

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
SPECIAL DONATIONS
YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
Budgetary Fund Balance, July 1	\$ 18,413	\$ 18,413	\$ 18,413	\$ -
Resources (Inflows):				
Contributions	6,750	9,025	10,728	1,703
Amounts Available for Appropriations	25,163	27,438	29,141	1,703
Charges to Appropriation (Outflow):				
Parks and recreation	5,500	6,500	6,193	307
Total Charges to Appropriations	5,500	6,500	6,193	307
Budgetary Fund Balance, June 30	\$ 19,663	\$ 20,938	\$ 22,948	\$ 2,010

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
 SENIOR CENTER ACTIVITIES
 YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 59,226	\$ 59,226	\$ 59,226	\$ -
Resources (Inflows):				
Charges for services	200	200	70	(130)
Use of money and property	500	500	277	(223)
Contributions	2,800	2,800	1,619	(1,181)
Miscellaneous	300	3,150	2,274	(876)
Amounts Available for Appropriations		63,026	65,876	63,466
Charges to Appropriation (Outflow):				
Parks and recreation	12,750	13,000	11,607	1,393
Total Charges to Appropriations		12,750	13,000	11,607
Budgetary Fund Balance, June 30		\$ 50,276	\$ 52,876	\$ 51,859
				\$ (1,017)

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
 POLICE VOLUNTEER
 YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
Budgetary Fund Balance, July 1	\$ 2,834	\$ 2,834	\$ 2,834	\$ -
Resources (Inflows):				
Use of money and property	-	-	8	8
Amounts Available for Appropriations	2,834	2,834	2,842	8
Charges to Appropriation (Outflow):				
Public safety	1,080	2,613	1,515	1,098
Total Charges to Appropriations	1,080	2,613	1,515	1,098
Budgetary Fund Balance, June 30	\$ 1,754	\$ 221	\$ 1,327	\$ 1,106

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
RIVERSIDE COUNTY MOU
YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 234,370	\$ 234,370	\$ 234,370	\$ -
Resources (Inflows):				
Intergovernmental	450,000	450,000	489,764	39,764
Use of money and property	1,000	150	136	(14)
Amounts Available for Appropriations	685,370	684,520	724,270	39,750
Charges to Appropriation (Outflow):				
Public safety	576,024	569,439	583,119	(13,680)
Total Charges to Appropriations	576,024	569,439	583,119	(13,680)
Budgetary Fund Balance, June 30	\$ 109,346	\$ 115,081	\$ 141,151	\$ 26,070

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
GENERAL FACILITIES
YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
Budgetary Fund Balance, July 1	\$ 474,679	\$ 474,679	\$ 474,679	\$ -
Resources (Inflows):				
Use of money and property	-	1,200	2,202	1,002
Miscellaneous	-	478	478	-
Amounts Available for Appropriations	474,679	476,357	477,359	1,002
Charges to Appropriation (Outflow):				
Capital outlay	-	45,000	44,781	219
Total Charges to Appropriations	-	45,000	44,781	219
Budgetary Fund Balance, June 30	\$ 474,679	\$ 431,357	\$ 432,578	\$ 1,221

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
SUNSET GRADE SEPARATION
YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Budgetary Fund Balance, July 1	\$ (2,286,485)	\$ (2,286,485)	\$ (2,286,485)	\$ -
Resources (Inflows):				
Intergovernmental	-	2,631,606	119,370	(2,512,236)
Amounts Available for Appropriations	(2,286,485)	345,121	(2,167,115)	(2,512,236)
Charges to Appropriation (Outflow):				
Capital outlay	-	304,186	129,710	174,476
Total Charges to Appropriations	-	304,186	129,710	174,476
Budgetary Fund Balance, June 30	\$ (2,286,485)	\$ 40,935	\$ (2,296,825)	\$ (2,337,760)

CITY OF BANNING

COMBINING STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUNDS
JUNE 30, 2014

	Business-Type Activities - Enterprise Funds				
	Airport	Transit	Refuse Utility	Totals	
Assets:					
Current:					
Cash and investments	\$ 4,915	\$ 231,203	\$ 639,117	\$ 875,235	
Receivables:					
Accounts	685	76	469,062	469,823	
Interest	46	626	1,235	1,907	
Due from other governments	140,956	79,520	8,188	228,664	
Inventories	14,347	-	-	14,347	
Total Current Assets	160,949	311,425	1,117,602	1,589,976	
Noncurrent:					
Capital assets - net of accumulated depreciation	3,239,664	556,515	-	3,796,179	
Total Noncurrent Assets	3,239,664	556,515	-	3,796,179	
Total Assets	\$ 3,400,613	\$ 867,940	\$ 1,117,602	\$ 5,386,155	
Liabilities and Net Position:					
Liabilities:					
Current:					
Accounts payable	\$ 49,141	\$ 10,305	\$ 251,796	\$ 311,242	
Accrued liabilities	1,224	23,277	3,855	28,356	
Unearned revenues	-	309,409	-	309,409	
Deposits payable	24,053	-	93,132	117,185	
Due to other funds	31,000	-	-	31,000	
Compensated absences	2,869	41,831	21,133	65,833	
Total Current Liabilities	108,287	384,822	369,916	863,025	
Noncurrent:					
Compensated absences	2,856	59,486	21,094	83,436	
Total Noncurrent Liabilities	2,856	59,486	21,094	83,436	
Total Liabilities	111,143	444,308	391,010	946,461	
Net Position:					
Net investment in capital assets	3,239,664	556,515	-	3,796,179	
Unrestricted	49,806	(132,883)	726,592	643,515	
Total Net Position	3,289,470	423,632	726,592	4,439,694	
Total Liabilities	\$ 3,400,613	\$ 867,940	\$ 1,117,602	\$ 5,386,155	

CITY OF BANNING

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
NONMAJOR PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

	Business-Type Activities - Enterprise Funds			
	Airport	Transit	Refuse Utility	Totals
Operating Revenues:				
Sales and service charges	\$ 172,656	\$ 163,257	\$ 3,165,206	\$ 3,501,119
Miscellaneous	-	1,517	20,188	21,705
Total Operating Revenues	172,656	164,774	3,185,394	3,522,824
Operating Expenses:				
Salaries and benefits	51,929	905,866	108,543	1,066,338
Supplies and services	142,451	535,108	2,957,613	3,635,172
Repairs and maintenance	10,770	868	-	11,638
Bad debt expense	-	-	11,007	11,007
Depreciation expense	175,615	271,342	-	446,957
Total Operating Expenses	380,765	1,713,184	3,077,163	5,171,112
Operating Income (Loss)	(208,109)	(1,548,410)	108,231	(1,648,288)
Nonoperating Revenues (Expenses):				
Intergovernmental	471,205	1,272,442	52,805	1,796,452
Interest revenue and change in fair value of investments	336	825	3,112	4,273
Gain (loss) on disposal of capital assets	-	250	-	250
Total Nonoperating Revenues (Expenses)	471,541	1,273,517	55,917	1,800,975
Income (Loss) Before Transfers	263,432	(274,893)	164,148	152,687
Transfers out	-	-	(55,000)	(55,000)
Changes in Net Position	263,432	(274,893)	109,148	97,687
Net Position:				
Beginning of Year	3,026,038	698,525	617,444	4,342,007
End of Fiscal Year	\$ 3,289,470	\$ 423,632	\$ 726,592	\$ 4,439,694

CITY OF BANNING

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

Business-Type Activities - Enterprise Funds

	Airport	Transit	Refuse Utility	Totals
Cash Flows from Operating Activities:				
Cash received from customers and users	\$ 171,352	\$ 248,486	\$ 3,200,944	\$ 3,620,782
Cash received from/(paid to) interfund service provided	(130,089)	(39,626)	20,316	(149,399)
Cash paid to suppliers for goods and services	(107,419)	(535,889)	(2,909,063)	(3,552,371)
Cash paid to employees for services	(52,788)	(900,563)	(114,821)	(1,068,172)
Net Cash Provided (Used) by Operating Activities	(118,944)	(1,227,592)	197,376	(1,149,160)
Cash Flows from Non-Capital Financing Activities:				
Cash transfers out	-	-	(55,000)	(55,000)
Intergovernmental	502,205	1,272,442	52,805	1,827,452
Net Cash Provided (Used) by Non-Capital Financing Activities	502,205	1,272,442	(2,195)	1,772,452
Cash Flows from Capital and Related Financing Activities:				
Acquisition and construction of capital assets	(556,897)	(118,477)	-	(675,374)
Proceeds from sales of capital assets	-	250	-	250
Net Cash Provided (Used) by Capital and Related Financing Activities	(556,897)	(118,227)	-	(675,124)
Cash Flows from Investing Activities:				
Interest received and change in fair value of investments	359	349	2,057	2,765
Net Cash Provided (Used) by Investing Activities	359	349	2,057	2,765
Net Increase (Decrease) in Cash and Cash Equivalents	(173,277)	(73,028)	197,238	(49,067)
Cash and Cash Equivalents at Beginning of Year	178,192	304,231	441,879	924,302
Cash and Cash Equivalents at End of Year	\$ 4,915	\$ 231,203	\$ 639,117	\$ 875,235
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ (208,109)	\$ (1,548,410)	\$ 108,231	\$ (1,648,288)
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:				
Depreciation	175,615	271,342	-	446,957
Bad debt expense	-	-	11,007	11,007
(Increase) decrease in accounts receivable	91	3,938	23,026	27,055
(Increase) decrease in due from other governments	(130,089)	(41,143)	128	(171,104)
(Increase) decrease in inventories	5,327	-	-	5,327
Increase (decrease) in accounts payable	40,338	(5,097)	58,826	94,067
Increase (decrease) in accrued liabilities	137	5,184	731	6,052
Increase (decrease) in deposits payable	(1,395)	-	1,705	310
Increase (decrease) in unearned revenue	-	81,291	-	81,291
Increase (decrease) in compensated absences	(859)	5,303	(6,278)	(1,834)
Total Adjustments	89,165	320,818	89,145	499,128
Net Cash Provided (Used) by Operating Activities	\$ (118,944)	\$ (1,227,592)	\$ 197,376	\$ (1,149,160)

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CITY OF BANNING

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2014

	Governmental Activities - Internal Service Funds		
	Self Insurance	Fleet Maintenance	Information Services
Assets:			
Current:			
Pooled cash and investments	\$ 3,273,102	\$ 705,760	\$ 150,254
Receivables:			
Accounts	-	9,739	164
Loans	-	-	-
Interest	2,057	1,231	262
Due from other governments	98,678	280	-
Inventories	-	89,147	-
Total Current Assets	3,373,837	806,157	150,680
Noncurrent:			
Capital assets - net of accumulated depreciation	-	304,821	89,713
Total Noncurrent Assets	-	304,821	89,713
Total Assets	\$ 3,373,837	\$ 1,110,978	\$ 240,393
Liabilities and Net Position:			
Liabilities:			
Current:			
Accounts payable	\$ 181,009	\$ 83,445	\$ 3,957
Accrued liabilities	7,215	8,176	8,199
Compensated absences	8,534	21,662	28,575
Claims and judgments	19,961	-	-
Total Current Liabilities	216,719	113,283	40,731
Noncurrent:			
Compensated absences	21,289	33,396	4,779
Claims and judgments	1,369,959	-	-
Total Noncurrent Liabilities	1,391,248	33,396	4,779
Total Liabilities	1,607,967	146,679	45,510
Net Position:			
Net investment in capital assets	-	304,821	89,713
Unrestricted	1,765,870	659,478	105,170
Total Net Position	1,765,870	964,299	194,883
Total Liabilities	\$ 3,373,837	\$ 1,110,978	\$ 240,393

CITY OF BANNING

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2014

	Governmental Activities - Internal		
	Utility Billing Services	Totals	
Assets:			
Current:			
Pooled cash and investments	\$ 234,456	\$ 4,363,572	
Receivables:			
Accounts	12,927	22,830	
Loans	3,875	3,875	
Interest	431	3,981	
Due from other governments	-	98,958	
Inventories	-	89,147	
Total Current Assets	251,689	4,582,363	
Noncurrent:			
Capital assets - net of accumulated depreciation	22,951	417,485	
Total Noncurrent Assets	22,951	417,485	
Total Assets	\$ 274,640	\$ 4,999,848	
Liabilities and Net Position:			
Liabilities:			
Current:			
Accounts payable	\$ 5,842	\$ 274,253	
Accrued liabilities	27,906	51,496	
Compensated absences	64,421	123,192	
Claims and judgments	-	19,961	
Total Current Liabilities	98,169	468,902	
Noncurrent:			
Compensated absences	-	59,464	
Claims and judgments	-	1,369,959	
Total Noncurrent Liabilities	-	1,429,423	
Total Liabilities	98,169	1,898,325	
Net Position:			
Net investment in capital assets	22,951	417,485	
Unrestricted	153,520	2,684,038	
Total Net Position	176,471	3,101,523	
Total Liabilities	\$ 274,640	\$ 4,999,848	

CITY OF BANNING

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2014

	Governmental Activities - Internal Service Funds		
	Self Insurance	Fleet Maintenance	Information Services
Operating Revenues:			
Sales and service charges	\$ 2,549,894	\$ 1,140,498	\$ 405,922
Miscellaneous	259,788	4,355	107
Total Operating Revenues	2,809,682	1,144,853	406,029
Operating Expenses:			
Salaries and benefits	230,272	345,168	282,060
Supplies and services	1,854,135	667,585	45,917
Repairs and maintenance	1,750	102,153	84,322
Cost of sales and services	-	-	-
Insurance premiums	873,065	-	-
Depreciation expense	-	12,100	36,781
Total Operating Expenses	2,959,222	1,127,006	449,080
Operating Income (Loss)	(149,540)	17,847	(43,051)
Nonoperating Revenues (Expenses):			
Interest revenue and change in fair value	36,970	3,202	678
Gain (loss) on disposal of capital assets	-	1,039	-
Total Nonoperating Revenues (Expenses)	36,970	4,241	678
Changes in Net Position	(112,570)	22,088	(42,373)
Net Position:			
Beginning of Year	1,878,440	942,211	237,256
End of Fiscal Year	\$ 1,765,870	\$ 964,299	\$ 194,883

CITY OF BANNING

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2014

	Governmental Activities - Internal Service Funds	
	Utility Billing Services	Totals
Operating Revenues:		
Sales and service charges	\$ 1,612,073	\$ 5,708,387
Miscellaneous	-	264,250
Total Operating Revenues	1,612,073	5,972,637
Operating Expenses:		
Salaries and benefits	1,127,283	1,984,783
Supplies and services	466,361	3,033,998
Repairs and maintenance	37,239	225,464
Cost of sales and services	50	50
Insurance premiums	-	873,065
Depreciation expense	7,959	56,840
Total Operating Expenses	1,638,892	6,174,200
Operating Income (Loss)	(26,819)	(201,563)
Nonoperating Revenues (Expenses):		
Interest revenue and change in fair value	1,148	41,998
Gain (loss) on disposal of capital assets	-	1,039
Total Nonoperating Revenues (Expenses)	1,148	43,037
Changes in Net Position	(25,671)	(158,526)
Net Position:		
Beginning of Year	202,142	3,260,049
End of Fiscal Year	\$ 176,471	\$ 3,101,523

CITY OF BANNING

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2014

	Governmental Activities - Internal Service Funds		
	Self Insurance	Fleet Maintenance	Information Services
Cash Flows from Operating Activities:			
Cash received from customers and users	\$ 2,808,754	\$ 1,144,302	\$ 406,004
Cash received from/(paid to) interfund service provided	(65,311)	(105)	-
Cash paid to suppliers for goods and services	(2,304,450)	(770,653)	(128,410)
Cash paid to employees for services	(231,076)	(347,274)	(280,932)
Net Cash Provided (Used) by Operating Activities	207,917	26,270	(3,338)
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	-	-	(6,670)
Proceeds from sales of capital assets	-	1,039	-
Net Cash Provided (Used) by Capital and Related Financing Activities	-	1,039	(6,670)
Cash Flows from Investing Activities:			
Issuance of notes and loans receivable	-	-	-
Interest received	35,257	2,253	484
Net Cash Provided (Used) by Investing Activities	35,257	2,253	484
Net Increase (Decrease) in Cash and Cash Equivalents	243,174	29,562	(9,524)
Cash and Cash Equivalents at Beginning of Year	3,029,928	676,198	159,778
Cash and Cash Equivalents at End of Year	\$ 3,273,102	\$ 705,760	\$ 150,254
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ (149,540)	\$ 17,847	\$ (43,051)
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:			
Depreciation	-	12,100	36,781
(Increase) decrease in accounts receivable	-	(551)	(25)
(Increase) decrease in due from other governments	(65,311)	(105)	-
(Increase) decrease in inventories	-	(23,950)	-
Increase (decrease) in accounts payable	(45,439)	23,035	1,829
Increase (decrease) in accrued liabilities	897	1,177	2,049
Increase (decrease) in deposits payable	(928)	-	-
Increase (decrease) in claims and judgments	469,939	-	-
Increase (decrease) in compensated absences	(1,701)	(3,283)	(921)
Total Adjustments	357,457	8,423	39,713
Net Cash Provided (Used) by Operating Activities	\$ 207,917	\$ 26,270	\$ (3,338)

CITY OF BANNING

COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 YEAR ENDED JUNE 30, 2014

	<u>Governmental Activities -</u>	
	<u>Utility Billing Services</u>	<u>Totals</u>
Cash Flows from Operating Activities:		
Cash received from customers and users	\$ 1,611,038	\$ 5,970,098
Cash received from/(paid to) interfund service provided	-	(65,416)
Cash paid to suppliers for goods and services	(507,281)	(3,710,794)
Cash paid to employees for services	(1,131,883)	(1,991,165)
Net Cash Provided (Used) by Operating Activities	(28,126)	202,723
Cash Flows from Capital and Related Financing Activities:		
Acquisition and construction of capital assets	-	(6,670)
Proceeds from sales of capital assets	-	1,039
Net Cash Provided (Used) by Capital and Related Financing Activities	-	(5,631)
Cash Flows from Investing Activities:		
Issuance of notes and loans receivable	(132)	(132)
Interest received	840	38,834
Net Cash Provided (Used) by Investing Activities	708	38,702
Net Increase (Decrease) in Cash and Cash Equivalents	(27,418)	235,794
Cash and Cash Equivalents at Beginning of Year	261,874	4,127,778
Cash and Cash Equivalents at End of Year	\$ 234,456	\$ 4,363,572
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$ (26,819)	\$ (201,563)
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:		
Depreciation	7,959	56,840
(Increase) decrease in accounts receivable	(1,035)	(1,611)
(Increase) decrease in due from other governments	-	(65,416)
(Increase) decrease in inventories	-	(23,950)
Increase (decrease) in accounts payable	(3,631)	(24,206)
Increase (decrease) in accrued liabilities	4,969	9,092
Increase (decrease) in deposits payable	-	(928)
Increase (decrease) in claims and judgments	-	469,939
Increase (decrease) in compensated absences	(9,569)	(15,474)
Total Adjustments	(1,307)	404,286
Net Cash Provided (Used) by Operating Activities	\$ (28,126)	\$ 202,723

CITY OF BANNING

COMBINING STATEMENT OF NET POSITION
ALL AGENCY FUNDS
JUNE 30, 2014

	Sun Lake CFD 86-1	Special AD 91-1	Area Police Computer	Fair Oaks AD 2004-1
Assets:				
Pooled cash and investments	\$ 35,067	\$ 50,277	\$ 19,034	\$ 171,822
Receivables:				
Interest	66	95	72	240
Due from other governments	-	-	-	6,844
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	220,575
Total Assets	\$ 35,133	\$ 50,372	\$ 19,106	\$ 399,481
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 1,877	\$ 81
Deposits payable	-	4,701	-	16,886
Due to bondholders	35,133	45,671	17,229	382,514
Total Liabilities	\$ 35,133	\$ 50,372	\$ 19,106	\$ 399,481

CITY OF BANNING**COMBINING STATEMENT OF NET POSITION**
ALL AGENCY FUNDS
JUNE 30, 2014

	Cameo Homes	Totals
Assets:		
Pooled cash and investments	\$ 45,842	\$ 322,042
Receivables:		
Interest	87	560
Due from other governments	-	6,844
Restricted assets:		
Cash and investments with fiscal agents	-	220,575
Total Assets	\$ 45,929	\$ 550,021
 Liabilities:		
Accounts payable	\$ -	\$ 1,958
Deposits payable	40,000	61,587
Due to bondholders	5,929	486,476
Total Liabilities	\$ 45,929	\$ 550,021

CITY OF BANNING

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
YEAR ENDED JUNE 30, 2014

	Balance 7/1/2013	Additions	Deductions	Balance 6/30/2014
<u>Sun Lake CFD 86-1</u>				
Assets:				
Pooled cash and investments	\$ 34,945	\$ 122	\$ -	\$ 35,067
Receivables:				
Interest	14	67	15	66
Total Assets	\$ 34,959	\$ 189	\$ 15	\$ 35,133
Liabilities:				
Due to bondholders	\$ 34,959	\$ 178	\$ 4	\$ 35,133
Total Liabilities	\$ 34,959	\$ 178	\$ 4	\$ 35,133
<u>Special AD 91-1</u>				
Assets:				
Pooled cash and investments	\$ 47,841	\$ 2,501	\$ 65	\$ 50,277
Receivables:				
Interest	20	95	20	95
Due from other governments	2,262	-	2,262	-
Total Assets	\$ 50,123	\$ 2,596	\$ 2,347	\$ 50,372
Liabilities:				
Deposits payable	\$ 4,701	\$ -	\$ -	\$ 4,701
Due to bondholders	45,422	249	-	45,671
Total Liabilities	\$ 50,123	\$ 249	\$ -	\$ 50,372
<u>Area Police Computer</u>				
Assets:				
Pooled cash and investments	\$ 19,520	\$ 47,787	\$ 48,273	\$ 19,034
Receivables:				
Interest	11	71	10	72
Total Assets	\$ 19,531	\$ 47,858	\$ 48,283	\$ 19,106
Liabilities:				
Accounts payable	\$ 2,237	\$ 44,913	\$ 45,273	\$ 1,877
Due to bondholders	17,294	3,179	3,244	17,229
Total Liabilities	\$ 19,531	\$ 48,092	\$ 48,517	\$ 19,106

CITY OF BANNING

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

ALL AGENCY FUNDS

YEAR ENDED JUNE 30, 2014

	Balance 7/1/2013	Additions	Deductions	Balance 6/30/2014
Fair Oaks AD 2004-1				
Assets:				
Pooled cash and investments	\$ 167,900	\$ 204,195	\$ 200,273	\$ 171,822
Receivables:				
Interest	51	240	51	240
Due from other governments	5,156	6,844	5,156	6,844
Restricted assets:				
Cash and investments with fiscal agents	218,052	32,574	30,051	220,575
Total Assets	\$ 391,159	\$ 243,853	\$ 235,531	\$ 399,481
Liabilities:				
Accounts payable	\$ 152	\$ 6,923	\$ 6,994	\$ 81
Deposits payable	16,886	-	-	16,886
Due to bondholders	374,121	207,174	198,781	382,514
Total Liabilities	\$ 391,159	\$ 214,097	\$ 205,775	\$ 399,481
Cameo Homes				
Assets:				
Pooled cash and investments	\$ 45,681	\$ 161	\$ -	\$ 45,842
Receivables:				
Interest	19	87	19	87
Total Assets	\$ 45,700	\$ 248	\$ 19	\$ 45,929
Liabilities:				
Deposits payable	\$ 40,000	\$ -	\$ -	\$ 40,000
Due to bondholders	5,700	229	-	5,929
Total Liabilities	\$ 45,700	\$ 229	\$ -	\$ 45,929
Totals - All Agency Funds				
Assets:				
Pooled cash and investments	\$ 315,887	\$ 254,766	\$ 248,611	\$ 322,042
Receivables:				
Interest	115	560	115	560
Due from other governments	7,418	6,844	7,418	6,844
Restricted assets:				
Cash and investments with fiscal agents	218,052	32,574	30,051	220,575
Total Assets	\$ 541,472	\$ 294,744	\$ 286,195	\$ 550,021
Liabilities:				
Accounts payable	\$ 2,389	\$ 51,836	\$ 52,267	\$ 1,958
Deposits payable	61,587	-	-	61,587
Due to bondholders	477,496	211,009	202,029	486,476
Total Liabilities	\$ 541,472	\$ 262,845	\$ 254,296	\$ 550,021

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