

CITY OF BANNING, CALIFORNIA
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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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, 2016, 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.

Auditor's Responsibility

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

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

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



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

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, 2016, 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.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2016 the City adopted new accounting guidance, GASB Statement No. 72, *Fair Value Measurement and Application*.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedules for the General Fund, the schedule of changes in net pension liability and related ratio, the schedules of contributions, and the schedule of proportionate share of the net pension liability 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 non-major 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 non-major 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. The 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 non-major fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.



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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2017 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 the City's internal control over financial reporting and compliance.

Lance, Soll & Lughard, LLP

Brea, California
March 31, 2017

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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, 2016 (FY16). 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, 2015 (FY15).

City management encourages readers to consider the information presented within this discussion and analysis in conjunction with the City's financial statements. The City's financial statement are in adherence to the pronouncements of the Governmental Accounting Standards Board (GASB). This annual report consists of five (5) sections as arranged in the Table of Contents:

1. **Independent Auditor's Report,**
2. **Management's Discussion and Analysis,**
3. **Basic Financial Statements,**
4. **Required Supplementary Information, and the**
5. **Combining and Individual Fund Statements and Schedules for Non-Major Governmental Funds, Non-Major Enterprise Funds, and Internal Service Funds.**

Although the Combining Statements provide details about Non-Major Governmental Funds, Non-Major Enterprise Funds, and Internal Service Funds. The totals of Non-major funds, governmental and proprietary, are summarized in the Basic Financial Statements as "Other Governmental Funds" and "Other Enterprise Funds". The total of Internal Service Funds are also brought forward.

The General Fund Budgetary Comparison Schedule is in the section 4, Required Supplementary Information. Budgetary Comparison Schedules for each governmental fund are in section 5, Schedules for Non-Major Governmental Funds.

FOCUS OF MANAGEMENT DISCUSSION AND ANALYSIS

The Management Discussion and Analysis will focus on financial information contained in section 3. Basic Financial Statements. Other key points from other sections may be included.

The Basic Financial Statements present operation and fiscal accountability measurements, or in their presentation order, Government-wide and Funds, as required by GASB Statement 34 (GASB 34).

The two measurements differ in that Government-wide Statements report current and long-term activities on a full accrual basis of accounting, whereas, Fund Statements report current year transactions on a modified accrual basis of accounting. The focus here intends to explain the differences of the reporting requirements and to highlight areas of importance.

FRAMEWORK OF GASB STATEMENT 34 REPORTING MODEL

GASB 34 required all local and state governments in the United States to implement the new reporting model by June 15, 2003. GASB 34 requires that governments present top level, or Government-wide, financial statements using full accrual accounting, similar to business enterprises, for all City activities. GASB recognized the importance of traditional Funds statements by requiring the two presentations, traditional Funds statements and the new GASB 34 Government-wide statements.

- ❖ Government-Wide Financial Statements,
 - ❖ Operational accountability considers whether sufficient resources exist to cover the cost of providing services in the long term, i.e., the economic resource flows measurement focus, full accrual basis of accounting
 - Top level statements consolidate all City-wide activities in two column format
 - Governmental Activities
 - Business-Type Activities
 - Top level statements report City-wide activities in two statements
 - Statement of Net Position
 - Statement of Activities
- ❖ GASB 34 Reconciliation to convert Fund statements to Government-wide statements
 - ❖ Converts Governmental Funds to Governmental activities
 - ❖ Converts Proprietary Funds to Business-Type Activities
- ❖ Fund Financial Statements report fiscal accountability using the current financial resource flows measurement focus, modified accrual basis of accounting.
 - Types of funds
 - Governmental funds
 - Proprietary funds
 - Non-major Funds are reported in Combining Statements
- ❖ Fiduciary Funds are not reported in Government-wide Financial Statements

NOTES TO FINANCIAL STATEMENTS

Notes to Financial Statements, in the section Basic Financial Statements, provide additional information that is essential to the full understanding of the financial information contained therein.

In Note 1 of the Notes to Financial Statements, Organization and Summary of Significant Accounting Policies, there is further discussion as to the source of authoritative reporting requirements, the significance of those policies on the City's financial statements and provide additional supporting information as to the basis for the presentation formats of the Basic financial statements.

PROCESSING THE FINANCIAL STATEMENTS

Accounting information is internally processed in traditional City funds categorized as Governmental, Proprietary or Fiduciary, based on the activity. Fund Financial Statements (pre-GASB 34) are prepared from the accounting information collected for each individual fund. Again, subsequent year-end adjustments are calculated to provide the reconciliations to arrive at Government-Wide Financial Statements (GASB 34 model).

Funds are classified as either major or non-major funds based on criteria established by GASB. Major funds are individually reported in the Funds Financial Statements. The non-major funds are individually reported in the section "Combining Fund Statements and Schedules".

The traditional Fund Financial Statements focus on funds' accounting of the city government that reflect the City's accounting and budgetary structure. City's operations are accounted for in funds in much more detail. There are three (3) main fund categories; Governmental, Proprietary and Fiduciary. There are Fund Financial Statements for each main fund category, i.e., Governmental, Proprietary and Fiduciary. Within each of the reports, the report columns will provide each major fund and the total of non-major funds; the non-major funds are sub-totaled in columns entitled "Other Governmental Funds" and "Other Enterprise Funds".

Since full accrual is the method of accounting for Proprietary Funds in the Funds Financial Statements, the reconciliations necessary to arrive at Business-Type Activities are not as extensive as for Governmental Funds which are accounted for using modified accrual accounting. Those reconciling items are included within the Proprietary Funds' Statement of Net Position and Statement of Revenues, Expenses and Changes in Fund Net Position.

GASB 34 reconciliations provide the necessary long-term adjustments to bridge the results of Governmental Funds and convert into Government-wide financial statements.

There are two reconciliations that convert Governmental Funds in the Funds Financial Statements to Governmental Activities in the Government-Wide Financial Statements. Those are a Reconciliation of the Balance Sheet of Governmental Funds to the Government-Wide, Governmental Activities, Statement of Net Position and the Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities. The two reconciliations provide the linkage from Governmental Funds' operations to Governmental Activities in the Government-Wide Financial Statements.

1. Converts Governmental Funds to Governmental activities
 - a. Balance Sheet of Governmental Funds to Statement of Net Position
 - b. Statement of Revenues, Expenditures and Changes in Fund Balances to Statement of Activities
2. Converts Proprietary Funds to Business-Type Activities
 - a. Interfund Eliminations
 - b. Internal service fund adjustments related to Proprietary funds

The Government-Wide Financial Statements accomplish the GASB 34 model by reporting designated "Governmental Activities" and "Business-like Activities" in a two column format resulting in Government-wide totals (City-wide). Governmental Activities are Governmental Fund totals and the reconciliation to full accrual. Similarly, the "Business-like Activities" are the Proprietary Fund totals and their applicable reconciling items. The totals of these two types of City activities are the "Government-wide totals".

GOVERNMENT-WIDE FINANCIAL STATEMENTS

REPORTING THE CITY AS A WHOLE

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.

All City funds, as well as, the Banning Financing Authority, Banning Housing Authority, Banning Public Facilities Corporation, and the Banning Utility Authority are included. 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 governing structure and the relationship with the City.

As noted earlier, in this presentation, City operations are designated as either a "Governmental Activities" or a "Business-Type Activities", and reported under the designated columns, as identified in the Fund Financial Statements. "Reporting the City as a Whole" is the total of the two activities.

Key items affecting the City's Net Position are highlighted below.

HIGHLIGHTS OF THE CITY AS A WHOLE

- ❖ As of June 30, 2016 the City's Net Position, which is the difference between the City's assets and deferred outflows of resources versus its liabilities and deferred inflows of resources, is at \$203.68 million, an increase of \$13.54 million over June 30, 2015.
- ❖ At the close of the fiscal year, the Unrestricted portion of the Net Position, that which may be used to meet on-going obligations due to creditors, is \$50.02 million, an increase of \$1.23 million over the prior fiscal year. The Net Investment in Capital Assets, another component of Net Position, was \$122.32, an increase of \$7.64 million over June 30, 2015. The Restricted portion of the Net Position amounted to \$31.34 million, an increase of \$4.67 million.
- ❖ GASB Statement No. 68 (Accounting and Financial Reporting for Pensions) and Statement No. 71 (Pension Transition for Contributions Made Subsequent to the Measurement Date) require that the Net Pension Liability be presented on the face of the financial statements. At June 30, 2016, the total Net Pension Liability for the City of Banning, government-wide, was \$31.83 million, an increase of \$2.99 million.

A COMPARATIVE SUMMARY OF CITY'S 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 Statement of Net Position measures the City's 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.

Net Position increased by \$13.54 million to \$203.68 million, \$8.8 million a special item from the Successor Agency. Net Revenues over Expenses increased Net Position by \$4.47 million. A Restatement also increased Net position another \$0.26 million.

Net Position from Governmental Activities was \$91.79 million, an increase of \$9.93 million, was mainly due to \$8.8 million special item gain from Successor Agency upon release of bond project funds by the CA Department of Finance for City projects.

Net Position from Business-Type Activities was \$111.89 million, an increase of \$3.61 million. Program and General Revenues amounted to \$48.93 million, a slight increase of approximately \$0.15 million while expenses totaled \$44.67 million, a slight increase from last year's \$44.24 million.

ASSETS AND DEFERRED OUTFLOWS

Total Assets increased \$3.01 million to \$307.89 million. Deferred outflows increased \$3.18 million to \$10.13 million. Total Assets and Deferred outflows was \$318.02 million.

LIABILITIES AND DEFERRED INFLOWS

Total Liabilities decreased \$1.99 million to \$110.37 million. Deferred inflows decreased \$1.37 million to \$3.97 million. Total Liabilities and Deferred inflows was \$114.34.

GASB 54 CLASSIFICATIONS OF NET POSITION

GASB 54 established a hierarchy of constraints applicable to the resources available in Fund Balances as well as the component of Net Position that corresponds to fund balances. The City's Net Position is made-up of three components: Net Investment in Capital Assets (net of related debt), Restricted, and Unrestricted.

Table 1 is a comparison of the Net Position in the Basic Financial Statements – Statement of Net Position with previous year. It includes both Changes in Net Position and any Restatements of Net Position. The City's Government-Wide Total Net Position for FY16 is \$203.68 million, an increase of \$13.54 million, or 7.1% over the June 30, 2015 balance. No significant changes are noted in the total assets while total liabilities decreased by \$3.86 million. Corresponding analysis of the causes of these changes are reflected in the following paragraphs.

The *Net investment in Capital Assets* of \$122.32 million represents 60.12% 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. 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. New long-term debt was incurred during the current fiscal year that would have significantly affected this section. Any decrease therefore, is mainly due to recurring annual depreciation of the capital assets offset by additional capitalized expenditures for FY16.

The portion of the City's Net Position subject to *external restrictions* in how they may be used is \$31.34 million (15.39% of the Total Net Position). The Restricted Net Position includes Community Development Projects, encumbrances and continuing appropriations in Public Safety, Parks and Recreation, Transportation, Capital Projects, and Debt Service.

The remaining *Unrestricted Net Position* balance of \$50.02 million (24.49% of the Total Net Position) may be used to meet the government's ongoing obligations to citizens and creditors within the program areas. The negative unrestricted net position in the Governmental Activities is mainly the result of the implementation of GASB Statement No. 68 and 71. Net Pension Liability for Governmental and Business Type Activities were \$20.64 million and \$11.19 million respectively. Additional information can be found in the Notes to Financial Statements.

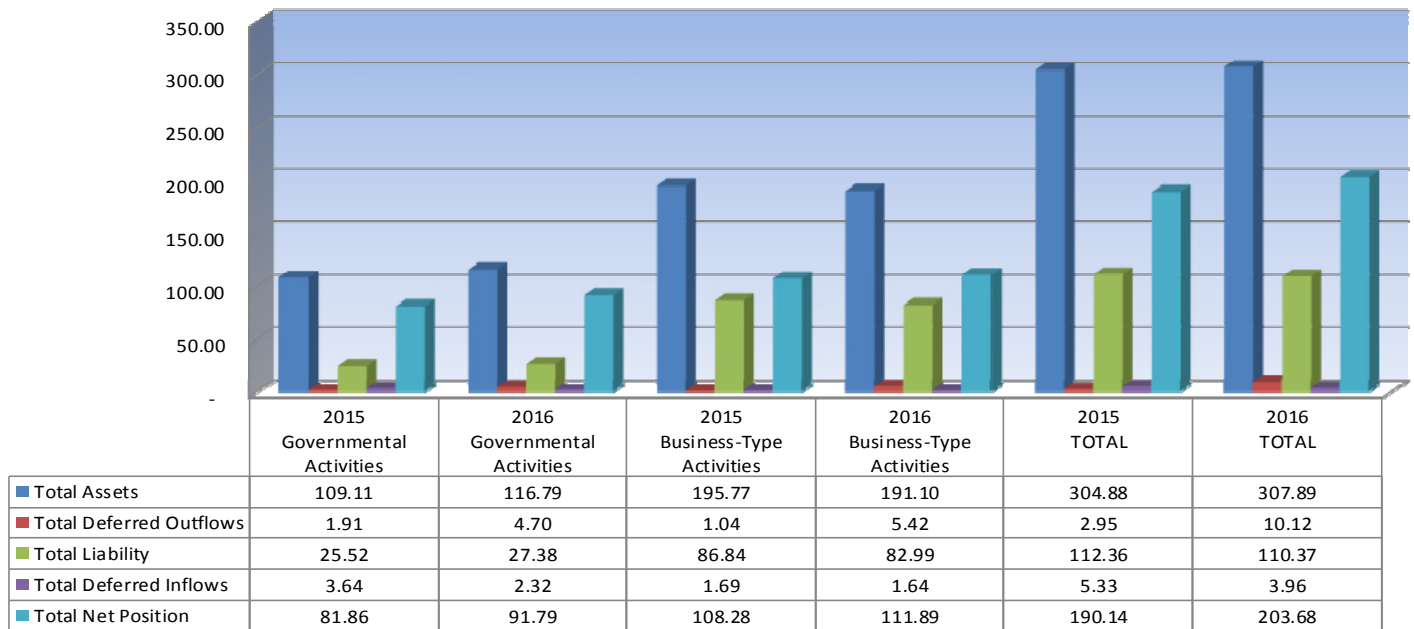
Table 1 summarizes the Statement of Net Position of the City as a whole and provides a comparison.

Table 1 - Summary of Net Position (In Millions)

	Governmental Activities		Business-Type Activities		Government-Wide Totals		% CHG
	2015	2016	2015	2016	2015	2016	
Assets:							
Current and other assets	27.17	38.73	89.27	81.58	116.44	120.31	3.3%
Capital assets	81.94	78.06	106.50	109.52	188.44	187.58	0.5%
TOTAL ASSETS	\$ 109.11	\$ 116.79	\$ 195.77	\$ 191.10	\$ 304.88	\$ 307.89	1.0%
Deferred outflows on refunding	-	-	0.29	3.47	0.29	3.47	1096.6%
Deferred pension related items	1.91	4.70	0.75	1.95	2.66	6.65	150.0%
TOTAL DEFERRED OUTFLOWS	\$ 1.91	\$ 4.70	\$ 1.04	\$ 5.42	\$ 2.95	\$ 10.12	243.1%
Liabilities:							
Current and other liabilities	4.04	3.58	6.69	6.47	10.73	10.05	6.3%
Long-term liabilities	21.48	23.80	80.15	76.52	101.63	100.32	1.3%
TOTAL LIABILITIES	\$ 25.52	\$ 27.38	\$ 86.84	\$ 82.99	\$ 112.36	\$ 110.37	1.8%
Deferred inflows on refunding	-	-	0.02	-	0.02	-	100.0%
Deferred pension related items	3.64	2.32	1.67	1.64	5.31	3.96	25.4%
TOTAL DEFERRED INFLOWS	\$ 3.64	\$ 2.32	\$ 1.69	\$ 1.64	\$ 5.33	\$ 3.96	25.7%
Net Position:							
Net investment in capital assets	79.80	76.16	35.03	46.16	114.83	122.32	6.5%
Restricted for:							
Community Development Projects	3.16	2.39	-	-	3.16	2.39	24.4%
Public Safety	0.05	0.07	-	-	0.05	0.07	40.0%
Culture and Leisure	0.05	0.04	-	-	0.05	0.04	20.0%
Transportation	2.54	3.00	-	-	2.54	3.00	18.1%
Capital Projects	0.01	8.75	15.37	17.00	15.38	25.75	67.4%
Debt Service	-	-	5.48	0.08	5.48	0.08	98.5%
Unrestricted	(3.75)	1.38	52.40	48.65	48.65	50.03	2.8%
TOTAL NET POSITION	\$ 81.86	\$ 91.79	\$ 108.28	\$ 111.89	\$ 190.14	\$ 203.68	7.1%

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

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



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

STATEMENT OF ACTIVITIES

Table 2 is a two year comparison of the Governmental and Business-Type Activities in the Statement of Activities. Comparisons are provided for City-wide Revenues and Expenses by Function/Program, the Change in City-wide Net Position, and the Beginning and Ending Net Position.

Table 2 - Statement of Activities (In Millions)

	Governmental Activities		Business-Type Activities		Government-Wide Totals	
	2015	2016	2015	2016	2015	2016
Revenues						
Program Revenues:						
Charges for Services	4.57	4.51	46.76	46.56	51.33	51.07
Operating Contributions and Grants	1.16	1.85	1.68	1.97	2.84	3.82
Capital Contributions and Grants	0.89	0.39	-	-	0.89	0.39
Subtotal Program Revenues	6.62	6.75	48.44	48.53	55.06	55.28
General Revenues:						
Property Taxes	4.24	4.46	-	-		4.46
Sales Taxes	3.53	3.50	-	-	3.53	3.50
Business Licenses Taxes	0.16	0.16	-	-	0.16	0.16
Franchise Taxes	0.87	0.86	-	-	0.87	0.86
Transient Occupancy Taxes	0.72	0.79	-	-	0.72	0.79
Other Taxes	0.68	0.73	-	-	0.68	0.73
Motor Vehicle In-Lieu	0.01	0.01	-	-	0.01	0.01
Use of Money and Property	0.52	0.63	0.16	0.22	0.68	0.85
Other	0.78	0.40	0.18	0.18	0.96	0.58
Gain on sale of capital asset	-	-	-	-	-	-
Subtotal General Revenues	11.51	11.54	0.34	0.40	7.61	11.94
TOTAL REVENUES	18.13	18.29	48.78	48.93	62.67	67.22
Expenses						
General Government	2.16	2.23	-	-	4.24	2.23
Public Safety	9.62	8.58	-	-	9.62	8.58
Community Development	1.33	1.60	-	-	1.33	1.60
Culture and Leisure	1.13	1.00	-	-	1.13	1.00
Transportation	5.04	4.58	-	-	5.04	4.58
Interest on Long-term debt	0.09	0.09	-	-	0.09	0.09
Airport	-	-	0.38	0.21	0.38	0.21
Transit	-	-	1.85	1.86	1.85	1.86
Electric Utility	-	-	28.25	29.50	28.25	29.50
BUA Water	-	-	7.79	7.31	7.79	7.31
BUA Wastewater	-	-	2.88	2.70	2.88	2.70
Refuse	-	-	3.09	3.08	3.09	3.08
TOTAL EXPENSES	19.37	18.08	44.24	44.66	65.69	62.74
Increase/(Decrease) in Net Position						
Before Transfers and Special Items	(1.24)	0.21	4.54	4.27	3.30	4.48
Transfers	0.72	0.65	(0.72)	(0.65)	-	-
Special Item	-	8.80	-	-	-	8.80
Increase/(Decrease) in Net Position	(0.52)	9.66	3.82	3.62	3.30	13.28
Net Position at Beginning of Year	102.94	81.87	115.45	108.27	218.39	190.14
Restatement of Net Position	(20.56)	0.26	(10.99)	-	(31.56)	0.26
Net Position at End of Year	81.86	91.79	108.28	111.89	190.14	203.68

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

GOVERNMENT-WIDE REVENUES AND EXPENSES

In the following two paragraphs, refer to Table 2 for Government-wide Revenues and Expenses. Net Revenues over Expenses increased Net Position by \$4.48 million.

The total Government-Wide revenues for FY16 were \$67.22 million, \$18.29 million from Governmental Activities, and \$48.93 million from Business-Type Activities. City-wide total revenues increased by \$4.55 million from \$62.67 million in FY 15.

Total Government-Wide expenses for FY16 to \$62.74 million, a decrease of \$2.94 million. City-wide total expenses supporting Governmental Activities was \$18.08 million or 28.82%, and Business-Type Activities, \$44.66 million, or 71.18%.

GOVERNMENTAL ACTIVITIES

Net Position for Governmental Activities was \$91.79 million, an increase of \$9.92 million or 12.12%, mainly due to the \$8.8 million special item from Successor Agency of project funds.

REVENUES

Total Revenues for Governmental Activities were \$18.29 million.

Charges for Services amounted to \$4.51 million for the current year which represents approximately 24.64% of the total revenues in the Governmental Activities category.

Revenues from overall tax sources increased 2.8% in FY16. The two largest taxes sources were Property Taxes and Sales Taxes, respectively, increasing to \$4.46 million and the other remained steady at \$3.50 million. In comparison to the FY15 levels, Property Taxes moderately increased 5.2% from \$4.24 million and Sales Taxes were slightly down from \$3.53 million.

EXPENSES

Total Expenses for Governmental Activities were \$18.08 million.

Governmental Activities expenses decreased 6.7% to \$18.08 million, \$1.329 million less than last year. The breakdown by governmental activity follows; General Government decreased \$63,876, Public Safety decreased \$1,031,903, Community Development increased \$264,960, Culture and Leisure decreased \$131,528. Transportation decreased \$463,510, and Interest on long-term debt decreased \$1,972.

GOVERNMENTAL ACTIVITIES-NET REVENUES (EXPENSES)

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

Table 3 and Chart 3 focus on the Revenues and Expenses (Cost of Services) in the Statement of Activity related to Governmental Activities. Chart 3 compares each program, the Revenues, in blue, versus Expenses, in red. Note that the General Government program revenues sufficiently cover program revenues, but for all other governmental activities, program expenses and revenues are subsidized by General Revenues (Taxes, Use of Money and Property, Other Revenue and Transfers).

Table 3 - Program Net Cost: Government Activities

	Program Revenues			Total Cost of Services			Net Revenues (Expenses)		
	2015	2016	% Chg	2015	2016	% Chg	2015	2016	% Chg
General Government	3,809,914	3,698,398	3%	2,161,242	2,225,118	3%	1,648,672	1,473,280	11%
Public Safety	863,232	952,869	10%	9,615,308	8,583,405	11%	(8,752,076)	(7,630,536)	13%
Community Development	(54,746)	856,327	-	1,331,628	1,598,792	20%	(1,386,374)	(742,465)	46%
Culture & Leisure	427,470	451,638	6%	1,134,921	1,001,189	12%	(707,451)	(549,551)	22%
Transportation	1,578,444	795,914	50%	5,044,885	4,581,375	9%	(3,466,441)	(3,785,461)	9%
Interest on long-term debt	-	-	-	88,096	86,124	2%	(88,096)	(86,124)	2%
Government Subtotal	6,624,314	6,755,146	2%	19,376,080	18,076,003	7%	(12,751,766)	(11,320,857)	11%
General Revenues	11,516,048	11,537,015	0%	-	-	-	11,516,048	11,537,015	0%
Transfers	720,432	652,157	9%	-	-	-	720,432	652,157	9%
SUBTOTAL	18,860,794	18,944,318	0%	19,376,080	18,076,003	7%	(515,286)	868,315	269%
Special Item	-	8,801,033	-	-	-	-	-	8,801,033	-
TOTAL	18,860,794	27,745,351	47%	19,376,080	18,076,003	7%	(515,286)	9,669,348	1977%

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

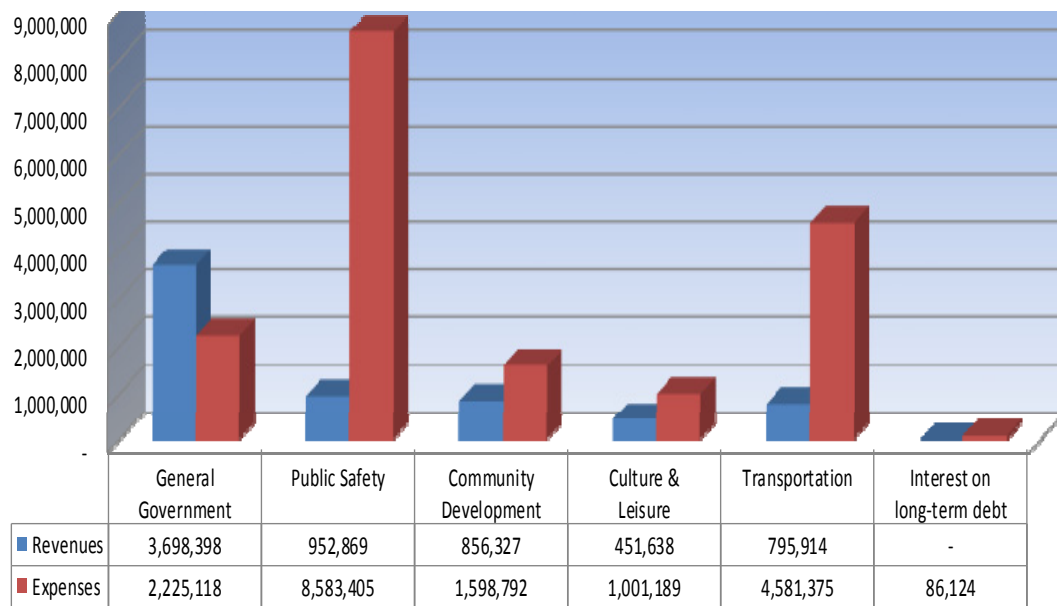


Chart 3: Details can be found in the "Statement of Activities"

BUSINESS-TYPE ACTIVITIES

Table 4 focus is on the information on the Statement of Activities that relates to Business-type Activities which are the City's six services funded by customer user fees; Airport, Transit, BUA Water Utility, Electric Utility, BUA Wastewater Utility, and Refuse Utility; revenues, the cost of each program, and its net cost.

Table 4 - Program Net Cost: Business-Type Activities

	Program Revenues			Total Cost of Services			Net Revenues (Expenses)		
	2015	2016	% Chg	2015	2016	% Chg	2015	2016	% Chg
Airport	245,639	258,138	5%	382,611	209,930	45%	(136,972)	48,208	135%
Transit	1,684,210	1,913,069	14%	1,722,416	1,858,161	8%	(38,206)	54,908	244%
BUA Water Utility	9,697,254	8,858,473	9%	7,569,525	7,308,819	3%	2,127,729	1,549,654	27%
Electric Utility	30,173,668	30,616,383	1%	28,819,584	29,505,627	2%	1,354,084	1,110,756	18%
BUA Wastewater Utility	3,462,692	3,483,786	1%	2,915,736	2,701,401	7%	546,956	782,385	43%
Refuse Utility	3,175,849	3,404,970	7%	3,074,393	3,082,003	0%	101,456	322,967	218%
Business Subtotal	48,439,312	48,534,819	0%	44,484,265	44,665,941	0%	3,955,047	3,868,878	2%
General Revenues	343,175	403,704	18%	-	-	-	343,175	403,704	18%
SUBTOTAL	48,782,487	48,938,523	0%	44,484,265	44,665,941	0%	4,298,222	4,272,582	1%
Transfers	-	-	-	720,432	652,157	9%	(720,432)	(652,157)	9%
TOTAL	48,782,487	48,938,523	0%	45,204,697	45,318,098	0%	3,577,790	3,620,425	1%

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

Important highlights of the Changes in Net Position of Business-Type Activities are:

- Net Position from Business-Type Activities was \$111.89 million (see Table 2).
- Business-type activities increased Net Position by \$3.62 million (see Table 2).
- All Business-type activities contributed to the Increase in Net Position. The FY 2016 results of Net Revenues (Expenses) was \$4,272,582, including non-operating revenue of \$403,704, as shown in Table 4.
- Net Increases by program operations are detailed in Table 4; Airport \$48,208, Transit \$54,908, Water \$1,549,654, Electric \$1,110,756, Wastewater \$782,385, and Refuse \$322,967.

FUNDS FINANCIAL STATEMENTS

Funds are accounted for on a modified accrual basis. Their focus is on reporting financial information useful for managing the budget and day to day operations.

Funds Financial Statements 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 fund types:

- **Governmental funds statements** tell how general government services such as police, fire, transportation and special revenue funds were financed in the short-term as well as what remains for future spending. Property taxes, sales tax, transient occupancy tax, interest income, franchise fees, grants, contributions from other agencies, and other revenues fund these activities. The General Fund is reported as a major fund; all other Governmental funds are non-major.

- **Proprietary funds statements** offer short-term and long-term financial information of the City's utilities, the major proprietary funds, water, wastewater and electric, as well as airport, transit and refuse collection services. These funds require the use of full accrual accounting.
- **Internal Service funds statements** are reported with Governmental activities.
- **Fiduciary funds 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 Successor Agency, assessment districts and other non-City funds are accounted for in these fund types.

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. Budget and interim council reporting are generally based on these funds.

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.

Although the annual operating budget includes Proprietary and Fiduciary Funds, those budgets are not required to be comparatively reported in the annual audit report.

GOVERNMENTAL FUNDS

Governmental Funds only 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. The Fund Financial Statements include the General Fund, the major fund of the governmental funds, and Other Governmental Funds, which are the total of the non-major governmental funds.

All City Funds are presented separately, the Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances. The General Fund is considered a Major Governmental Fund. Each of the Non-Major Governmental Funds are reported in the "Combining and Individual Fund Statements and Schedules" that follow the Notes to Financial Statements and the totals are brought forward to the "Other Governmental Funds" column of the Funds Financial Statements.

GOVERNMENTAL FUNDS HIGHLIGHTS

- ❖ At the close of the fiscal year, the City's governmental funds reported a combined ending fund balance of \$27.58 million, an increase of \$11.4 million, 23.9% versus last fiscal year.
- ❖ GASB 54 requires governments to classify fund balances according to the spending constraints defined by GASB 54. \$1.99 of the \$27.58 million is Unassigned, that is, those funds do not have restrictions. However, the remaining \$25.59 million is in the categories of Nonspendable, Restricted, Committed or Assigned.

BALANCE SHEETS OF GOVERNMENTAL FUNDS

The City maintains twenty-six individual governmental funds. These funds report financial transactions using the modified accrual accounting method.

GOVERNMENTAL REVENUES

Table 5 below presents a summary of Governmental Fund Revenues by Revenue category for the fiscal year 2015-16, with comparative amounts from the prior year. Fiscal Year 2015-16 Revenues were \$18,472,032, a slight increase of \$97,129 compared to the previous fiscal year.

Table 5 - Comparison of Governmental Revenues

	2014-15	% of Total Revenues	2015-16	% of Total Revenues	\$ Increase / (Decrease)	% Change
Taxes	10,138,020	55.17%	10,792,461	58.43%	654,441	6.46%
Licenses & Permits	191,900	1.04%	779,554	4.22%	587,654	306.23%
Intergovernmental	2,388,989	13.00%	2,040,858	11.05%	(348,131)	14.57%
Charges for Services	3,906,579	21.26%	3,317,149	17.96%	(589,430)	15.09%
Use of Money & Property	519,940	2.83%	553,390	3.00%	33,450	6.43%
Fines and Forfeitures	303,308	1.65%	267,410	1.45%	(35,898)	11.84%
Contributions	15,873	0.09%	13,724	0.07%	(2,149)	13.54%
Successor Agency Admin	123,840	0.67%	250,000	1.35%	126,160	101.87%
Miscellaneous	786,454	4.28%	457,486	2.48%	(328,968)	41.83%
TOTAL	18,374,903	100.00%	18,472,032	100.00%	97,129	0.53%

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

GOVERNMENTAL EXPENDITURES

Table 6 summarizes the Governmental Fund Expenditures by function for the fiscal years 2014-15 and 2015-16, with related % of total expenditures for each fiscal year. Expenditures for FY16 were \$16,527,619, a decrease of \$122,018 from FY15.

Table 6 - Comparison of Governmental Expenditures

	2014-15	% of Total Expenditures	2015-16	% of Total Expenditures	\$ Increase / (Decrease)	% Change
General Government	2,515,876	15.11%	2,227,796	13.48%	(288,080)	11.45%
Public Safety	8,973,171	53.89%	9,529,941	57.66%	556,770	6.20%
Community Development	1,318,060	7.92%	1,547,336	9.36%	229,276	17.39%
Parks and Recreation	729,997	4.38%	764,076	4.62%	34,079	4.67%
Transportation	1,015,760	6.10%	1,059,235	6.41%	43,475	4.28%
Operating Expenditures	14,552,864	87.41%	15,128,384	91.53%	575,520	3.95%
Capital Outlay	1,660,791	9.97%	963,545	5.83%	(697,246)	41.98%
Debt Service	435,982	2.62%	435,690	2.64%	(292)	0.07%
TOTAL	16,649,637	100.00%	16,527,619	100.00%	(122,018)	0.73%

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

GOVERNMENTAL FUND BALANCES

Total governmental Fund Balances are \$27.58 million, which is an \$11.40 million increase. The major contributing factor is that \$8.80 million was reclassified as a governmental special revenue item.

PROPRIETARY FUNDS

Proprietary funds account for utility services, use of airport facilities, transit services and services where user fees are developed to recover the costs of services provided. Proprietary Funds are integrated into the Government-Wide Financial Statements, provide both long-term and short-term financial information. The full accrual method of accounting is required for these funds.

❖ **Enterprise Funds** are used to report the individual functions for each of the enterprise activities operated by the City. The major proprietary funds are the top three below. In addition “Other Enterprise Funds” are considered non-major under the GASB criteria.

- Banning Utility Authority-Water
- Electric Utility
- Banning Utility Authority-Wastewater
- Other Enterprise funds:
 - Airport
 - Transit
 - Refuse Utility

❖ **Internal Service Funds** report activities that provide internal services for the City’s other programs and activities such as the:

- City’s Self Insurance
- Fleet Maintenance
- Information Systems
- Utility Billing Services

NET POSITION

The Total Net Position of Proprietary Funds \$113.03 million. The major funds, the total of City Utilities make up \$110.04 million.

An important metric in utility operations is the Operating Income (Loss).

OPERATING INCOME (LOSS)

All three major proprietary funds have positive results of operation; Water’s operating income was \$2,683,649, Electric’s was \$2,663,175 and Wastewater’s was \$1,029,064.

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 16).

As a result of AB 1X 26, a law enacted by the State in 2012 dissolving the Redevelopment Agencies, Successor Agency Trust Fund receives trust revenues based on ROP's approved by CA Department of Finance. In FY 2015-16, the Successor Agency received \$3.54 million from the Riverside County Redevelopment Property Tax Trust Fund (RPTTF).

Although the Fiduciary Funds Statements are a standalone report in the Funds Financial Statements they are not part of the Government-wide Statements as the fiduciary activities are not considered part of City activities.

However, the City received special item income from the Successor Agency because DOF approved the release of bond project funds for City projects of \$8.8 million. Those funds were previously held by the Successor Agency.

GENERAL FUND HIGHLIGHTS

The balance of City Council commitment as an emergency contingency in the General Fund is \$3.97 million. (see Balance Sheet - Governmental Funds). Funds classified as Non-spendable total \$.005 million for prepaid costs. Funds classified as Assigned total \$4.69 million which account for capital projects, continuing appropriations and encumbrances in public safety, transportation, debt service, general government, future compensated absences, litigation contingency, gas tax commitment, police reward, SB1186 Disability Access and PEG. The remaining fund balance (\$3.54 million) is identified as Unassigned. The terminology and presentation of fund balance changed with the implementation of GASB 54.

GENERAL FUND – REVENUES

Table 7 below provides more information of the General Fund Revenues by category for the fiscal years 2013-14, 2014-15 and 2015-16.

Table 7 - General Fund Revenues

	2013-14	2014-15	2015-16	% of Total	\$ Increase / (Decrease) to Last Year	% Change
Property Tax	4,001,147	4,238,973	4,459,662	26.43%	220,689	5.21%
Sales Tax	2,917,944	2,952,014	3,262,934	19.34%	310,920	10.53%
Transient Occupancy Tax	712,135	722,434	789,994	4.68%	67,560	9.35%
Franchise	861,155	871,284	860,923	5.10%	(10,361)	1.19%
Other Taxes	282,250	703,118	755,028	4.47%	51,910	7.38%
License & Permits	219,998	191,900	779,554	4.62%	587,654	306.23%
Intergovernmental	278,026	203,831	444,246	2.63%	240,415	117.95%
Charges for Services	3,580,448	3,906,508	3,317,149	19.66%	(589,359)	15.09%
Use of Money & Property	511,083	506,294	528,586	3.13%	22,292	4.40%
Fines & Forfeitures	291,125	303,308	267,410	1.58%	(35,898)	11.84%
Transfers In	720,003	1,526,081	724,000	4.29%	(802,081)	52.56%
Contributions	11,727	5,400	251,800	1.49%	246,400	4562.96%
Miscellaneous	504,223	685,109	431,606	2.56%	(253,503)	37.00%
TOTALS	14,891,264	16,816,254	16,872,892	100.00%	56,638	0.34%

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

For Fiscal Year 2015-16 (FY16), General Fund revenues were \$16,872,892, an increase of \$56,638 over FY 2014-15. Key elements of this year's activity versus last fiscal year are as follows:

- Property Tax Revenues, \$4,459,662 increased by \$220,689, a 5.21% increase over FY15.
- Licenses & Permits, \$779,554 increased 306.23%, as a result of increased commercial development activity, from \$191,900 in FY15.
- Sales Tax revenues, \$3,262,934 increased by \$310,920, a 10.53% increase over FY15.
- Revenues from Charges for Services, \$3,317,149, decreased 15.08% from FY15. This includes the Electric Department's mandated 10% administrative service transfer to the General Fund and increased fee revenues arising from the Rancho San Gorgonio project. This revenue source accounts for fees collected from the City's departments for administrative charges during the normal course of business. The largest source of Charge for Services, or 68%, is from Electric Department which provides 10% of its Operating Revenues, \$3.06 million.
- Transfers In decreased to \$724,000.
- Miscellaneous Revenue decreased by \$253,503

GENERAL FUND – EXPENDITURES

Table 8 below summarizes the General Fund Expenditures for the fiscal year ended June 30, 2016.

Table 8 - General Fund Expenditures

	2013-14	2014-15	2015-16	% of Total	\$ Increase / (Decrease) to Last Year	% Change
General Government*	2,359,703	2,515,876	2,175,889	15.08%	(339,987)	13.51%
Public Safety	8,715,093	8,278,738	9,029,278	62.57%	750,540	9.07%
Community Development	-	1,291,523	1,521,876	10.55%	230,353	17.84%
Culture & Leisure	599,171	727,793	764,076	5.29%	36,283	4.99%
Public Works *	1,299,066	-	-	0.00%	-	-
Capital Outlay	153,674	196,340	256,128	1.77%	59,788	30.45%
Debt Service	436,253	435,982	435,690	3.02%	(292)	0.07%
Transfers Out	164,325	169,955	248,084	1.72%	78,129	45.97%
TOTALS	13,727,285	13,616,207	14,431,021	100.00%	814,814	5.98%

** Some items reclassified from General Government & Public Works to Community Development category.*

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

A Community Development expenditure category, previously classified General Government and Public Works expenditures, were aligned with the audited financial statements for fiscal years ending June 30, 2015 and 2016.

Total General Fund expenditures were \$14,431,021, a 5.98% increase over the previous year. The largest changes occurred in the following areas:

- General Government expenditures of \$2,175,889, decreased by \$339,987, or 13.51%.
- Public Safety expenditures of \$9,029,278, increased by \$750,540, or 9.07%.
- Community Development expenditures of \$1,521,876, increased by \$230,353, or 17.84%.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original FY16 budget for the General Fund was a structurally balanced budget incorporating the estimated upswing in the economy primarily indicated by increased property taxes and sales tax revenue projections offset by projected increases in personnel costs.

The final adjusted revenue 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. The budgetary comparison information can be found in the audit report section "Combining and Individual Funds Statements and Schedules" under "Budgetary Comparison Schedule, General Fund".

For the City's General Fund, actual ending revenues of \$16.87 million were \$0.80 million higher than the final budgeted revenues of \$16.07 million (please refer to Budgetary Comparison Schedule-General Fund). This is mainly due to improved revenues from Taxes, offset by lower than expected service fee revenues from Engineering, Police, Fire and other fees.

The General Fund actual ending expenditures of \$14.43 million were \$1.73 million less than the final budget of \$16.17 million. The majority of the difference is accounted for by salary savings due to vacancies in the Police and Planning departments, and the unused contingency account in Central Services. Overall, the City's General Fund showed a net increase in fund balance of \$2.54 million as a result of improved revenues and reduced expenditures.

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, 2016, is \$187,586,008 (net of accumulated depreciation). This investment in capital assets includes land, structures and improvements, furniture and equipment, infrastructure and construction in progress. The Capital Assets of the City are those assets which are used in the performance of the City's functions including infrastructure assets. Depreciation on capital assets is recognized in the Government-Wide Financial Statements.

Table 9 - Capital Assets by Activity

	Governmental Activities			Business-Type Activities			Totals		
	2015	2016	% Chg	2015	2016	% Chg	2015	2016	% Chg
Land	3,061,900	3,204,822	5%	1,184,229	1,184,229	0%	4,246,129	4,389,051	3%
Construction in Progress	6,202,908	57,974	99%	6,255,521	11,006,828	76%	12,458,429	11,064,802	11%
Building and Structures*	11,787,514	11,235,322	5%	109,585	101,150	8%	11,897,099	11,336,472	5%
Land Improvements*	3,919,155	3,950,853	1%	2,432,001	2,251,754	7%	6,351,156	6,202,607	2%
Machinery and Equipment*	635,307	975,183	53%	-	-	-	635,307	975,183	53%
Vehicles*	229,001	247,327	8%	-	-	-	229,001	247,327	8%
Utility Plant*	-	-	-	96,518,970	94,972,671	2%	96,518,970	94,972,671	2%
Infrastructure*	56,107,536	58,397,895	4%	-	-	-	56,107,536	58,397,895	4%
TOTAL	81,943,321	78,069,376	5%	106,500,306	109,516,632	3%	188,443,627	187,586,008	0%

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

** Net of accumulated depreciation*

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

LONG-TERM DEBT

Table 10 is a summary of the City's long-term debt for the year ended June 30, 2016, including the Net Pension Liability required by GASB No. 68 and 71 beginning with year end June 30, 2015. City-wide long-term debt was \$105,667,050 at June 30, 2015 and \$103,938,957 at June 30, 2016.

At year June 30, 2016, the City's Governmental Activities had long term debt in the amount of \$25,135,891 including Net Pension Liability of \$20,642,709. No new debts were issued in the governmental activities for the current year. 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 16 of the notes to the Financial Statements.

Long-term debt in the Business-Type Activities amounted to \$78,803,066 including Net Pension Liability of \$11,190,100. For additional information on long-term debt refer to the Note 8 of the Notes to the Financial Statements. For additional information on the Net Pension Liability refer to Note 11 of the Notes to the Financial Statements.

In FY 2015-16, the \$31,755,000 2015 Electric Revenue Refunding Bonds were issued to refund the outstanding 2007 Electric Revenue Bonds and to finance certain electric improvements. The refunding will result in a long-term economic gain of \$6,893,089 to the electric system.

Table 10 - Long Term Debt/Liability Recap

	Governmental Activities			Business-Type Activities			Totals		
	2015	2016	% Chg	2015	2016	% Chg	2015	2016	% Chg
Compensated Absences	1,020,723	1,103,895	8%	645,830	789,535	22%	1,666,553	1,893,430	14%
Refunding Lease	2,147,361	1,788,555	17%	-	-	-	2,147,361	1,788,555	17%
Revenue Bonds	-	-	-	68,695,000	59,915,000	13%	68,695,000	59,915,000	13%
Claims & Judgements	1,270,939	1,475,725	16%	-	-	-	1,270,939	1,475,725	16%
Loans	-	125,007	-	1,670,469	1,409,613	16%	1,670,469	1,534,620	8%
SUBTOTAL	4,439,023	4,493,182	1%	71,011,299	62,114,148	13%	75,450,322	66,607,330	12%
Less:									
Unamortized original issue premium				1,466,609	5,581,039	281%	1,466,609	5,581,039	281%
Unamortized original issue discount				(86,437)	(82,221)	5%	(86,437)	(82,221)	5%
Net Business-Type Activities				72,391,471	67,612,966	7%	76,830,494	72,106,148	6%
Net Pension Liability	18,664,140	20,642,709	-	10,172,416	11,190,100	-	28,836,556	31,832,809	-
TOTAL	23,103,163	25,135,891	9%	82,563,887	78,803,066	5%	105,667,050	103,938,957	2%

Note: Details can be found in Note 8 (Long Term Debt) and in Note 11 (City Employees Retirement Plan)

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, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and investments	\$ 21,720,796	\$ 53,799,427	\$ 75,520,223
Receivables:			
Accounts	696,871	6,869,242	7,566,113
Loans	1,913,335	11,944	1,925,279
Interest	36,136	87,236	123,372
Grants	30,000	-	30,000
Internal balances	392,003	(392,003)	-
Prepaid costs	43,923	416,569	460,492
Deposits	-	109,728	109,728
Due from other governments	5,532,765	-	5,532,765
Inventories	67,620	2,544,846	2,612,466
Restricted assets:			
Cash and investments	-	1,048,391	1,048,391
Cash with fiscal agent	8,284,932	17,086,463	25,371,395
Capital assets not being depreciated	3,262,796	12,191,057	15,453,853
Capital assets, net of depreciation	74,806,580	97,325,575	172,132,155
Total Assets	116,787,757	191,098,475	307,886,232
Deferred Outflows of Resources:			
Deferred charge on refunding	-	3,470,986	3,470,986
Deferred pension related items	4,708,948	1,952,161	6,661,109
Total Deferred Outflows of Resources	4,708,948	5,423,147	10,132,095
Liabilities:			
Accounts payable	634,803	1,686,910	2,321,713
Accrued liabilities	296,728	327,324	624,052
Accrued interest	11,205	359,948	371,153
Unearned revenue	178,330	1,038,058	1,216,388
Deposits payable	532,434	769,988	1,302,422
Due to other governments	590,030	-	590,030
Noncurrent liabilities:			
Due within one year	1,340,726	2,283,947	3,624,673
Due in more than one year	3,152,456	65,329,019	68,481,475
Net pension liability	20,642,709	11,190,100	31,832,809
Total Liabilities	27,379,421	82,985,294	110,364,715
Deferred Inflows of Resources:			
Deferred pension related items	2,322,952	1,643,317	3,966,269
Total Deferred Inflows of Resources	2,322,952	1,643,317	3,966,269
Net Position:			
Net investment in capital assets	76,155,814	46,164,187	122,320,001
Restricted for:			
Community development projects	2,386,420	-	2,386,420
Public safety	68,064	-	68,064
Culture and leisure	40,394	-	40,394
Transportation	3,008,631	-	3,008,631
Capital projects	8,753,956	17,003,949	25,757,905
Debt service	-	82,514	82,514
Unrestricted	1,381,053	48,642,361	50,023,414
Total Net Position	\$ 91,794,332	\$ 111,893,011	\$ 203,687,343

CITY OF BANNING

STATEMENT OF ACTIVITIES
JUNE 30, 2016

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Contributions and Grants	Contributions and Grants
Functions/Programs				
Primary Government:				
Governmental Activities:				
General government	\$ 2,225,118	\$ 3,428,121	\$ 270,277	\$ -
Public safety	8,583,405	71,550	843,050	38,269
Community development	1,598,792	826,327	30,000	-
Culture and leisure	1,001,189	95,455	1,724	354,459
Transportation	4,585,220	92,545	703,369	-
Interest on long-term debt	86,124	-	-	-
Total Governmental Activities	18,079,848	4,513,998	1,848,420	392,728
Business-Type Activities:				
Airport	209,930	136,789	121,349	-
Transit	1,858,161	138,753	1,774,316	-
Banning Utility Authority Water	7,308,819	8,856,234	2,239	-
Electric Utility	29,505,627	30,584,446	31,937	-
Banning Utility Authority Wastewater	2,701,401	3,482,411	1,375	-
Refuse Utility	3,082,003	3,364,634	40,336	-
Total Business-Type Activities	44,665,941	46,563,267	1,971,552	-
Total Primary Government	\$ 62,745,789	\$ 51,077,265	\$ 3,819,972	\$ 392,728

General Revenues:

Taxes:

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

Special Item**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
\$ 1,473,280	\$ -	\$ 1,473,280
(7,630,536)	-	(7,630,536)
(742,465)	-	(742,465)
(549,551)	-	(549,551)
(3,789,306)	-	(3,789,306)
(86,124)	-	(86,124)
(11,324,702)	-	(11,324,702)
-	48,208	48,208
-	54,908	54,908
-	1,549,654	1,549,654
-	1,110,756	1,110,756
-	782,385	782,385
-	322,967	322,967
-	3,868,878	3,868,878
(11,324,702)	3,868,878	(7,455,824)
4,459,662	-	4,459,662
789,994	-	789,994
3,497,150	-	3,497,150
860,923	-	860,923
156,268	-	156,268
734,954	-	734,954
12,303	-	12,303
628,752	218,902	847,654
397,009	184,802	581,811
8,801,033	-	8,801,033
652,157	(652,157)	-
20,990,205	(248,453)	20,741,752
9,665,503	3,620,425	13,285,928
81,865,144	108,272,586	190,137,730
263,685	-	263,685
\$ 91,794,332	\$ 111,893,011	\$ 203,687,343

CITY OF BANNING

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Pooled cash and investments	\$ 9,896,525	\$ 6,667,443	\$ 16,563,968
Receivables:			
Accounts, net	657,289	276	657,565
Loans	-	1,913,335	1,913,335
Interest	23,383	8,733	32,116
Grants	-	30,000	30,000
Prepaid costs	43,923	-	43,923
Due from other governments	1,245,917	4,257,217	5,503,134
Due from other funds	2,437,875	-	2,437,875
Restricted assets:			
Cash and investments with fiscal agents	-	8,284,932	8,284,932
Total Assets	\$ 14,304,912	\$ 21,161,936	\$ 35,466,848
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable	\$ 328,913	\$ 72,886	\$ 401,799
Accrued liabilities	173,787	38,218	212,005
Unearned revenues	-	178,330	178,330
Deposits payable	432,610	99,824	532,434
Due to other governments	590,030	-	590,030
Due to other funds	83,759	2,437,875	2,521,634
Advances from other funds	394,118	-	394,118
Total Liabilities	2,003,217	2,827,133	4,830,350
Deferred Inflows of Resources:			
Unavailable revenues	58,228	3,000,384	3,058,612
Total Deferred Inflows of Resources	58,228	3,000,384	3,058,612
Fund Balances:			
Nonspendable:			
Prepaid costs	43,923	-	43,923
Restricted for:			
Community development projects	-	2,386,420	2,386,420
Public safety	-	68,064	68,064
Culture and leisure	-	40,394	40,394
Transportation	-	3,008,631	3,008,631
Capital Projects	-	8,753,956	8,753,956
Committed to:			
Emergency Contingency	3,975,332	-	3,975,332
Assigned to:			
Public safety	11,717	-	11,717
Capital Projects	1,500,000	2,624,852	4,124,852
Debt service	5,622	-	5,622
General government	348,059	-	348,059
Future compensated absences	467,404	-	467,404
Litigation Contingency	179,189	-	179,189
Gas tax commitment	164,325	-	164,325
PEG	133,104	-	133,104
SB1186 Disability Access	4,906	-	4,906
Police Reward	25,000	-	25,000
Community development	82,621	-	82,621
Mining Tax Collected	903,809	-	903,809
CalPERS Liability	500,000	-	500,000
Successor Agency Administration	361,721	-	361,721
Unassigned	3,536,735	(1,547,898)	1,988,837
Total Fund Balances	12,243,467	15,334,419	27,577,886
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 14,304,912	\$ 21,161,936	\$ 35,466,848

CITY OF BANNING

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2016**

Fund balances of governmental funds \$ 27,577,886

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. 77,711,099

Deferred outflows related to pension items:

Adjustments due to difference in proportions	\$ 591,423	
Net differences between projected and actual earnings on plan investments	1,864,298	
Current year contributions that occurred after the measurement date	1,651,557	4,107,278

Long-term debt, compensated absences and net pension liability that have not been included in the governmental fund activity:

Bonds payable	(1,913,562)	
Net pension liability	(17,130,906)	
Compensated Absences	(934,808)	(19,979,276)

Deferred inflows related to pension items:

Adjustments due to difference in proportions		
Change of assumptions	(692,760)	
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	(64,504)	
Difference between expected and actual experiences	(126,157)	
Net differences between projected and actual earnings on plan investments	(921,874)	(1,805,295)

Accrued interest payable for the current portion of interest due on Bonds has not been reported in the governmental funds. (11,205)

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. 3,058,612

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.

1,135,233

Net Position of governmental activities \$ 91,794,332

CITY OF BANNING

**STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016**

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 10,128,541	\$ 663,920	\$ 10,792,461
Licenses and permits	779,554	-	779,554
Intergovernmental	444,246	1,596,612	2,040,858
Charges for services	3,317,149	-	3,317,149
Use of money and property	528,586	24,804	553,390
Fines and forfeitures	267,410	-	267,410
Contributions	1,800	11,924	13,724
Contribution from Successor Agency	250,000	-	250,000
Miscellaneous	431,606	25,880	457,486
Total Revenues	16,148,892	2,323,140	18,472,032
Expenditures:			
Current:			
General government	2,175,889	51,907	2,227,796
Public safety	9,029,278	500,663	9,529,941
Community development	1,521,876	25,460	1,547,336
Culture and leisure	764,076	-	764,076
Transportation	-	1,059,235	1,059,235
Capital outlay	256,128	707,417	963,545
Debt service:			
Principal retirement	358,806	-	358,806
Interest and fiscal charges	76,884	-	76,884
Total Expenditures	14,182,937	2,344,682	16,527,619
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,965,955	(21,542)	1,944,413
Other Financing Sources (Uses):			
Transfers in	724,000	189,544	913,544
Transfers out	(248,084)	(13,303)	(261,387)
Total Other Financing Sources (Uses)	475,916	176,241	652,157
Special Items	-	8,801,033	8,801,033
Net Change in Fund Balances	2,441,871	8,955,732	11,397,603
Fund Balances, Beginning of Year	9,801,596	6,378,687	16,180,283
Fund Balances, End of Year	\$ 12,243,467	\$ 15,334,419	\$ 27,577,886

CITY OF BANNING

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016**

Net change in fund balances - total governmental funds \$ 11,397,603

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	\$ 1,106,076	
Depreciation	<u>(5,358,959)</u>	(4,252,883)

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		358,806
----------------------	--	---------

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

2,247

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.

(67,108)

Pension Expenses recognized in accordance with GASB 68 not recognized in the governmental fund activity.

2,076,550

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.

(255,233)

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.

409,366

Change in net position of governmental activities

\$ 9,669,348

CITY OF BANNING

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016

	Business-Type Activities - Enterprise Funds		
	Banning Utility Authority Water	Electric Utility	Banning Utility Authority Wastewater
Assets:			
Current:			
Pooled cash and investments	\$ 14,781,245	\$ 19,036,806	\$ 17,911,528
Receivables:			
Accounts, net	1,640,281	4,134,717	497,026
Loans	2,307	6,725	-
Interest	22,628	36,357	25,237
Prepaid costs	-	416,569	-
Deposits	-	109,728	-
Due from other governments	-	-	-
Due from other funds	-	-	-
Inventories	449,886	2,083,134	-
Restricted:			
Cash and investments	-	1,048,391	-
Cash with fiscal agent	2,577,191	11,158,619	3,350,653
Total Current Assets	19,473,538	38,031,046	21,784,444
Noncurrent:			
Advances to other funds	-	394,118	-
Capital assets - net of accumulated depreciation	47,295,224	44,945,160	13,918,847
Total Noncurrent Assets	47,295,224	45,339,278	13,918,847
Total Assets	66,768,762	83,370,324	35,703,291
Deferred Outflows of Resources:			
Deferred charge on refunding	941,952	2,439,676	89,358
Deferred pension related items	405,636	1,013,817	202,259
Total Deferred Outflows of Resources	1,347,588	3,453,493	291,617
Liabilities:			
Current:			
Accounts payable	\$ 349,163	\$ 978,982	\$ 104,668
Accrued liabilities	49,051	215,702	21,278
Accrued interest	178,977	118,229	62,742
Unearned revenues	-	-	-
Deposits payable	167,388	393,066	91,800
Due to other funds	-	-	-
Compensated absences	75,913	201,589	35,967
Claims and judgments	-	-	-
Bonds, notes, and capital leases	455,000	1,005,000	432,639
Total Current Liabilities	1,275,492	2,912,568	749,094
Noncurrent:			
Advances from other funds	-	-	-
Net Pension Liability	2,429,360	5,722,779	1,186,858
Compensated absences	77,256	205,151	36,604
Claims and judgments	-	-	-
Bonds, notes, and capital leases	26,376,516	32,559,523	5,994,753
Total Noncurrent Liabilities	28,883,132	38,487,453	7,218,215
Total Liabilities	30,158,624	41,400,021	7,967,309
Deferred Inflows of Resources:			
Deferred pension related items	359,963	837,696	175,140
Total Deferred Inflows of Resources	359,963	837,696	175,140
Net Position:			
Net investment in capital assets	21,405,660	13,820,313	7,580,813
Restricted for capital projects	2,577,191	11,158,619	3,268,139
Restricted for debt service	-	-	82,514
Unrestricted	13,614,912	19,607,168	16,920,993
Total Net Position	\$ 37,597,763	\$ 44,586,100	\$ 27,852,459

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 fundsCurrent 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, 2016

	Business-Type Activities - Enterprise Funds		Governmental Activities- Internal Service Funds
	Other Enterprise Funds	Totals	
Assets:			
Current:			
Pooled cash and investments	\$ 2,069,848	\$ 53,799,427	\$ 5,156,828
Receivables:			
Accounts, net	597,218	6,869,242	39,306
Loans	2,912	11,944	-
Interest	3,014	87,236	4,020
Prepaid costs	-	416,569	-
Deposits	-	109,728	-
Due from other governments	-	-	29,631
Due from other funds	83,759	83,759	-
Inventories	11,826	2,544,846	67,620
Restricted:			
Cash and investments	-	1,048,391	-
Cash with fiscal agent	-	17,086,463	-
Total Current Assets	2,768,577	82,057,605	5,297,405
Noncurrent:			
Advances to other funds	-	394,118	-
Capital assets - net of accumulated depreciation	3,357,401	109,516,632	358,277
Total Noncurrent Assets	3,357,401	109,910,750	358,277
Total Assets	6,125,978	191,968,355	5,655,682
Deferred Outflows of Resources:			
Deferred charge on refunding	-	3,470,986	-
Deferred pension related items	330,449	1,952,161	601,670
Total Deferred Outflows of Resources	330,449	5,423,147	601,670
Liabilities:			
Current:			
Accounts payable	\$ 254,097	\$ 1,686,910	\$ 233,004
Accrued liabilities	41,293	327,324	84,723
Accrued interest	-	359,948	-
Unearned revenues	1,038,058	1,038,058	-
Deposits payable	117,734	769,988	-
Due to other funds	-	-	-
Compensated absences	77,839	391,308	112,373
Claims and judgments	-	-	324,458
Bonds, notes, and capital leases	-	1,892,639	-
Total Current Liabilities	1,529,021	6,466,175	754,558
Noncurrent:			
Advances from other funds	-	-	-
Net Pension Liability	1,851,103	11,190,100	3,511,803
Compensated absences	79,216	398,227	56,714
Claims and judgments	-	-	1,151,267
Bonds, notes, and capital leases	-	64,930,792	-
Total Noncurrent Liabilities	1,930,319	76,519,119	4,719,784
Total Liabilities	3,459,340	82,985,294	5,474,342
Deferred Inflows of Resources:			
Deferred pension related items	270,518	1,643,317	517,657
Total Deferred Inflows of Resources	270,518	1,643,317	517,657
Net Position:			
Net investment in capital assets	3,357,401	46,164,187	358,277
Restricted for capital projects	-	17,003,949	-
Restricted for debt service	-	82,514	-
Unrestricted	(630,832)	49,512,241	(92,924)
Total Net Position	\$ 2,726,569	\$ 112,762,891	\$ 265,353
		\$ 112,762,891	
		(1,099,198)	
		229,318	
		<u>\$ 111,893,011</u>	

CITY OF BANNING

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2016

	Business-Type Activities - Enterprise Funds		
	Banning Utility Authority Water	Electric Utility	Banning Utility Authority Wastewater
Operating Revenues:			
Sales and service charges	\$ 8,856,234	\$ 30,584,446	\$ 3,482,411
Miscellaneous	27,415	147,593	1,495
Total Operating Revenues	8,883,649	30,732,039	3,483,906
Operating Expenses:			
Salaries and benefits	1,296,607	3,700,693	516,155
Supplies and services	3,642,564	5,625,509	1,334,933
Repairs and maintenance	11,782	35,487	59,059
Street lighting costs	-	185,032	-
Power purchased	-	17,221,730	-
Bad debt expense	37,079	96,712	11,670
Insurance premiums	-	-	-
Depreciation expense	1,211,968	1,203,701	533,025
Total Operating Expenses	6,200,000	28,068,864	2,454,842
Operating Income (Loss)	2,683,649	2,663,175	1,029,064
Nonoperating Revenues (Expenses):			
Intergovernmental	2,239	31,937	1,375
Interest revenue and change in fair value of investments	56,646	92,392	64,635
Interest expense	(1,113,885)	(1,471,819)	(305,507)
Total Nonoperating Revenues (Expenses)	(1,055,000)	(1,347,490)	(239,497)
Income (Loss) Before Transfers	1,628,649	1,315,685	789,567
Transfers in	-	-	-
Transfers out	(488,000)	(11,916)	(181,000)
Changes in Net Position	1,140,649	1,303,769	608,567
Net Position:			
Beginning of Year	36,457,114	43,282,331	27,243,892
End of Fiscal Year	\$ 37,597,763	\$ 44,586,100	\$ 27,852,459

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, 2016

	Business-Type Activities - Enterprise Funds		
	Other Enterprise Funds	Totals	Governmental Activities- Internal Service Funds
Operating Revenues:			
Sales and service charges	\$ 3,640,176	\$ 46,563,267	\$ 5,932,470
Miscellaneous	8,299	184,802	200,453
Total Operating Revenues	3,648,475	46,748,069	6,132,923
Operating Expenses:			
Salaries and benefits	1,175,501	6,688,956	2,106,987
Supplies and services	3,660,473	14,263,479	2,240,846
Repairs and maintenance	7,160	113,488	302,070
Street lighting costs	-	185,032	-
Power purchased	-	17,221,730	-
Bad debt expense	9,721	155,182	826
Insurance premiums	-	-	865,398
Depreciation expense	427,487	3,376,181	53,474
Total Operating Expenses	5,280,342	42,004,048	5,569,601
Operating Income (Loss)	(1,631,867)	4,744,021	563,322
Nonoperating Revenues (Expenses):			
Intergovernmental	1,936,001	1,971,552	-
Interest revenue and change in fair value of investments	5,229	218,902	75,362
Interest expense	-	(2,891,211)	-
Total Nonoperating Revenues (Expenses)	1,941,230	(700,757)	75,362
Income (Loss) Before Transfers	309,363	4,043,264	638,684
Transfers in	83,759	83,759	-
Transfers out	(55,000)	(735,916)	-
Changes in Net Position	338,122	3,391,107	638,684
Net Position:			
Beginning of Year	2,388,447	109,371,784	(373,331)
End of Fiscal Year	\$ 2,726,569	\$ 112,762,891	\$ 265,353
		\$ 3,391,107	
		229,318	
		<u>\$ 3,620,425</u>	

CITY OF BANNING

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2016

	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	\$ 8,406,970	\$ 29,858,189	\$ 3,412,822
Cash received from interfund services provided	27,415	147,593	1,495
Cash paid to suppliers for goods and services	(3,494,416)	(22,812,265)	(1,391,549)
Cash paid to employees for services	(1,319,416)	(3,723,066)	(541,902)
Cash received from others	-	-	-
Net Cash Provided (Used) by Operating Activities	3,620,553	3,470,451	1,480,866
Cash Flows from Non-Capital Financing Activities:			
Cash transfers in	-	-	-
Cash transfers out	(488,000)	(11,916)	(181,000)
Intergovernmental	2,239	31,937	1,375
Net Cash Provided (Used) by Non-Capital Financing Activities	(485,761)	20,021	(179,625)
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(757,479)	(5,095,698)	(110,384)
Proceeds from refunding capital debt	25,365,000	31,755,000	-
Defeased capital debt	(29,165,000)	(34,270,000)	-
Principal paid on capital debt	(945,000)	(1,360,000)	(416,640)
Interest paid on capital debt	(573,542)	(1,212,727)	(311,109)
Net Cash Provided (Used) by Capital and Related Financing Activities	(6,076,021)	(10,183,425)	(838,133)
Cash Flows from Investing Activities:			
Collections of repayment on loan receivables	-	(4,157)	-
Issuance of notes and loans receivable	(371)	-	-
Interest received	52,852	83,273	58,979
Net Cash Provided (Used) by Investing Activities	52,481	79,116	58,979
Net Increase (Decrease) in Cash and Cash Equivalents	(2,888,748)	(6,613,837)	522,087
Cash and Cash Equivalents at Beginning of Year	20,247,184	37,857,653	20,740,094
Cash and Cash Equivalents at End of Year	\$ 17,358,436	\$ 31,243,816	\$ 21,262,181
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 2,683,649	\$ 2,663,175	\$ 1,029,064
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:			
Depreciation	1,211,968	1,203,701	533,025
Bad debt expense	15,772	96,712	11,670
(Increase) decrease in accounts receivable	(462,626)	(835,421)	(81,225)
(Increase) decrease in deposits receivable	-	(216)	-
(Increase) decrease in due from other governments	-	-	-
(Increase) decrease in prepaid expense	-	314,197	-
(Increase) decrease in inventories	(11,656)	149,955	-
Increase (decrease) in accounts payable	192,128	(238,467)	(18,010)
Increase (decrease) in accrued liabilities	16,537	126,520	6,592
Increase (decrease) in deposits payable	(2,410)	12,668	25,497
Increase (decrease) in unearned revenue	-	-	-
Increase (decrease) in employee salary/benefit obligations	(42,692)	(111,579)	(21,629)
Increase (decrease) in claims and judgments	-	-	-
Increase (decrease) in compensated absences	19,883	89,206	(4,118)
Total Adjustments	936,904	807,276	451,802
Net Cash Provided (Used) by Operating Activities	\$ 3,620,553	\$ 3,470,451	\$ 1,480,866
Non-Cash Investing, Capital, and Financing Activities:			
Amortization of Unamortized Premiums/Discounts	\$ 91,577	\$ 111,863	\$ (4,216)
Amortization of Gain/Loss on Defeasance	(14,766)	(86,106)	-

CITY OF BANNING

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2016

	Business-Type Activities - Enterprise		Governmental Activities- Internal Service Funds
	Other Enterprise Funds	Totals	
Cash Flows from Operating Activities:			
Cash received from customers and users	\$ 3,453,137	\$ 45,131,118	\$ 5,915,754
Cash received from interfund services provided	49	176,552	241,761
Cash paid to suppliers for goods and services	(3,764,186)	(31,462,416)	(3,203,882)
Cash paid to employees for services	(1,173,335)	(6,757,719)	(2,155,528)
Cash received from others	8,250	8,250	-
Net Cash Provided (Used) by Operating Activities	(1,476,085)	7,095,785	798,105
Cash Flows from Non-Capital Financing Activities:			
Cash transfers in	83,759	83,759	-
Cash transfers out	(55,000)	(735,916)	-
Intergovernmental	1,852,242	1,887,793	-
Net Cash Provided (Used) by Non-Capital Financing Activities	1,881,001	1,235,636	-
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(428,946)	(6,392,507)	(47,567)
Proceeds from refunding capital debt	-	57,120,000	-
Defeased capital debt	-	(63,435,000)	-
Principal paid on capital debt	-	(2,721,640)	-
Interest paid on capital debt	-	(2,097,378)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(428,946)	(17,526,525)	(47,567)
Cash Flows from Investing Activities:			
Collections of repayment on loan receivables	-	(4,157)	-
Issuance of notes and loans receivable	646	275	-
Interest received	4,042	199,146	74,237
Net Cash Provided (Used) by Investing Activities	4,688	195,264	74,237
Net Increase (Decrease) in Cash and Cash Equivalents	(19,342)	(8,999,840)	824,775
Cash and Cash Equivalents at Beginning of Year	2,089,190	80,934,121	4,332,053
Cash and Cash Equivalents at End of Year	\$ 2,069,848	\$ 71,934,281	\$ 5,156,828
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ (1,631,867)	\$ 4,744,021	\$ 563,322
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:			
Depreciation	427,487	3,376,181	53,474
Bad debt expense	-	124,154	-
(Increase) decrease in accounts receivable	(178,884)	(1,558,156)	(16,716)
(Increase) decrease in deposits receivable	-	(216)	-
(Increase) decrease in due from other governments	-	-	41,308
(Increase) decrease in prepaid expense	-	314,197	-
(Increase) decrease in inventories	4,597	142,896	(6,552)
Increase (decrease) in accounts payable	(22,918)	(87,267)	(24,751)
Increase (decrease) in accrued liabilities	9,571	159,220	31,775
Increase (decrease) in deposits payable	1,566	37,321	-
Increase (decrease) in unearned revenue	(87,803)	(87,803)	-
Increase (decrease) in employee salary/benefit obligations	(36,568)	(212,468)	(64,605)
Increase (decrease) in claims and judgments	-	-	204,786
Increase (decrease) in compensated absences	38,734	143,705	16,064
Total Adjustments	155,782	2,351,764	234,783
Net Cash Provided (Used) by Operating Activities	\$ (1,476,085)	\$ 7,095,785	\$ 798,105
Non-Cash Investing, Capital, and Financing Activities:			
Amortization of Unamortized Premiums/Discounts	\$ -	\$ 199,224	\$ -
Amortization of Gain/Loss on Defeasance	-	(100,872)	-

CITY OF BANNING

STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2016

	Agency Funds	Private-Purpose Trust Fund Successor Agency of the Former RDA
Assets:		
Pooled cash and investments	\$ 375,426	\$ 2,030,404
Receivables:		
Accounts	-	10,000
Notes and loans	-	4,347,194
Interest	447	1,203
Due from other governments	4,419	-
Land held for resale	-	4,675,556
Restricted assets:		
Cash and investments with fiscal agents	223,096	3,539,151
Capital assets:		
Capital assets, not being depreciated	-	93,557
Capital assets, net of accumulated depreciation	-	5,188,126
Total Assets	\$ 603,388	\$ 19,885,191
Liabilities and Net Position:		
Liabilities:		
Accounts payable	\$ 1,954	\$ -
Accrued interest	-	644,046
Deposits payable	77,614	-
Due to bondholders	523,820	-
Long-term liabilities:		
Due in one year	-	1,300,000
Due in more than one year	-	35,328,048
Total Liabilities	\$ 603,388	37,272,094
Net Position:		
Held in trust for other purposes		(17,386,903)
Total Net Position		(17,386,903)
Total Liabilities and Net Position		\$ 19,885,191

CITY OF BANNING

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2016

	Private-Purpose Trust Fund Successor Agency of the Former RDA
Additions:	
Taxes	\$ 3,541,209
Interest and change in fair value of investments	60,217
Contributions from City	51,904
Total Additions	3,653,330
Deductions:	
Administrative expenses	250,000
Interest expense	1,557,699
Amortization expense	30,236
Depreciation expense	226,165
Contributions to the city	7,250
Forgiven loan expense	618,000
Total Deductions	2,689,350
Special Item	(8,801,033)
Changes in Net Position	(7,837,053)
Net Position - Beginning of the Year	(9,286,165)
Restatement of Net Position	(263,685)
Net Position - Beginning of the Year, as restated	(9,549,850)
Net Position - End of the Year	\$ (17,386,903)

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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. Separate financial statements can be obtained at City Hall.

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 Agency's Officers are the Banning City Council. The Agency 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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. No separate financial statements are prepared.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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 fund:

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

The 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.

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.
- 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, Deferred Outflows/Inflows of Resources, Liabilities and Net Position or Equity

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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 XIII A of the State Constitution (Proposition 13 adopted by the voters on June 6, 1978), properties are assessed at 100% of full value. From this base of assessment, subsequent annual increases in valuation are limited to a maximum of 2%. However, increases to full value are allowed for property improvements or upon change in ownership. Personal property is excluded from these limitations and is subject to annual reappraisal.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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 currently has two items that qualify for reporting in this category. The first item is the deferred charge on refunding reported in the Statements 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. The second are deferred outflows relating to the net pension obligation reported in the statement of net position. These outflows are the results of contributions made after the measurement period, adjustments due to differences in proportions, adjustments due to difference in proportions and the difference between actual contributions made and the proportionate share of the risk pool's total contributions, and differences between expected and actual experiences. These amounts are deferred and amortized over the expected average remaining service lifetime, expensed in the following year, or over 5 years.

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 currently has two items that qualify for reporting in this category. The first item, which arises only under a modified accrual basis of accounting, 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.

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

The second item is in relation to the net pension obligation reported in the statement of net position. These inflows are the results of net differences between projected and actual earnings on pension plan investments, adjustments due to differences in proportions, changes in assumptions, and net difference between proportion actuarial and actual contributions. Inflows from changes in net pension liability arise only under a full accrual basis of accounting, and are reported in the government-wide Statement of Net Position and proprietary funds.

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 were 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 were 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 were 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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 were 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, as well as Police 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 were 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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) were 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 were moved to a unique leave bank and the City Manager and Department Directors will no longer accrue holidays, but are 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 were 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 were 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 were moved to a unique leave bank and the Management employees are no longer accrue holidays, but are 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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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 Pension Liability

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the pension plans fiduciary net positions and additions to/deductions from the pension plans fiduciary net positions have been determined on the same basis as they are reported by the CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

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.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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

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.

Fund Balance Deficits

The following non-major funds contained a deficit fund balance:

Fund	Amount
Transit Fund	\$ (1,133,189)
Community Development Block Grant - Special Revenue	(33,725)
Sunset Grade Separation - Capital Projects	(2,049,825)
Information Services	(378,291)
Utility Billing Services	(1,672,450)

e. New Accounting Pronouncements

During the fiscal year ended June 30, 2016, the City implemented the following GASB standards:

GASB Statement No. 72 – Fair Value Measurement and Application. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statement for reporting periods beginning after June 15, 2015.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

II. DETAILED NOTES ON ALL FUNDS

Note 2: Cash and Investments

As of June 30, 2016, cash and investments were reported in the accompanying financial statements as follows:

Governmental activities	\$ 30,005,728
Business-type activities	71,934,281
Fiduciary funds	<u>6,168,077</u>
Total Cash and Investments	<u><u>\$ 108,108,086</u></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, 2016, the carrying amount of the City's deposits was \$6,173,690 and the bank balance was \$6,067,313. The \$106,377 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 2: Cash and Investments (Continued)

Investments

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

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

Investments Authorized by Debt Agreements

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

Investments in State Investment Pool

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

GASB Statement No. 31

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

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, 2016, the City's investments in Federal Agency Securities consisted of investments in Federal Home Loan Bank Bonds and Federal Home Loan Mortgage Corporation Notes. At June 30, 2016, 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, 2016, the City's investments in external investment pools are unrated.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 2: Cash and Investments (Continued)**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, 2016, none of the City's deposits or investments were exposed to custodial credit risk.

Concentration of Credit Risk

The City is in compliance with restrictions imposed by its investment policy, which limits certain types of investments. In addition, GASB 40 requires a separate disclosure if any single issuer comprised more than 5% of the total investment value. The investments in mutual money market funds and external investment pools are excluded from this requirement. As of June 30, 2016, none of the City's investments exceeded more than 5% of the total investment value with a single issuer.

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, 2016, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Remaining Investment Maturities</u>		
	<u>1 year or less</u>	<u>1 to 3 years</u>	<u>Fair Value</u>
Federal Agency Securities	\$ 3,704,337	\$ 2,000,580	\$ 5,704,917
Local Agency Investment Fund	45,654,925	-	45,654,925
Money Market	20,392,521	-	20,392,521
Cash with Fiscal Agents:			
Money Market	30,182,033	-	30,182,033
Total	\$ 99,933,816	\$ 2,000,580	\$ 101,934,396

Fair Value Measurement and Application

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City has the following recurring fair value measurements as of June 30, 2016:

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016**Note 2: Cash and Investments (Continued)**

Investments by fair value level	Totals	Level		
		1	2	3
U.S. Agency Securities	\$ 5,704,917	\$ -	\$ 5,704,917	\$ -
Local Agency Investment Fund (LAIF)	45,654,925	-	45,654,925	-
Total Investments	51,359,842	\$ -	\$ 51,359,842	\$ -

Investments measured at amortized cost	
Money Market Funds	20,392,521
Cash with Fiscal Agents	
Money Market Funds	30,182,033
Totals	50,574,554
Total Investments	\$ 101,934,396

Local Agency Investment Funds classified in Level 2 of the fair value hierarchy are valued using specified fair market value factors. Federal Agency Securities classified in Level 2 of the fair value hierarchy are valued using institutional bond quotes.

Note 3: Interfund Receivables, Payables and Transfers

The composition of interfund balances as of June 30, 2016, is as follows:

Due To/From Other Funds

Funds	Due to Other Funds		
	General Fund	Nonmajor Governmental Funds	Total
Due from Other Funds:			
General Fund	\$ -	\$ 2,437,875	\$ 2,437,875
Transit	83,759	-	83,759
Total	\$ 83,759	\$ 2,437,875	\$ 2,521,634

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

Advances To/From Other Funds

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

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 3: Interfund Receivables, Payables and Transfers (Continued)

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, 2016, principal owed on those loans was \$394,118.

Interfund Transfers

Funds	Transfers Out:						Totals
	General Fund	BUA Water Fund	BUA Wastewater Fund	Electric Utility Fund	Nonmajor Governmental Funds	Nonmajor Enterprise Funds	
Transfers In:							
General Fund	\$ -	\$ 488,000	\$ 181,000	\$ -	\$ -	\$ 55,000	\$ 724,000
Other Enterprise Funds	83,759	-	-	-	-	-	83,759
Nonmajor Governmental Funds	164,325	-	-	11,916	13,303	-	189,544
Totals	<u>\$ 248,084</u>	<u>\$ 488,000</u>	<u>\$ 181,000</u>	<u>\$ 11,916</u>	<u>\$ 13,303</u>	<u>\$ 55,000</u>	<u>\$ 997,303</u>

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.

Note 4: Changes in Capital Assets

Capital asset activity for the year ended June 30, 2016, is as follows:

	Beginning Balance	Adjustments*	Adjusted Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:							
Capital assets, not being depreciated:							
Land	\$ 3,061,900	\$ 3,845	\$ 3,065,745	\$ 139,077	\$ -	\$ -	\$ 3,204,822
Construction-in-progress	6,202,908	-	6,202,908	-	-	(6,144,934)	57,974
Total Capital Assets, Not Being Depreciated	9,264,808	3,845	9,268,653	139,077	-	(6,144,934)	3,262,796
Capital assets, being depreciated:							
Buildings and structures	25,927,868	481,061	26,408,929	11,703	-	-	26,420,632
Land improvements	7,497,484	-	7,497,484	391,261	-	21,285	7,910,030
Machinery and equipment	6,301,367	-	6,301,367	589,288	8,000	48,222	6,930,877
Vehicles	4,169,946	-	4,169,946	18,468	38,329	73,192	4,223,277
Infrastructure	112,795,052	-	112,795,052	-	-	6,002,235	118,797,287
Total Capital Assets, Being Depreciated	156,691,717	481,061	157,172,778	1,010,720	46,329	6,144,934	164,282,103
Less accumulated depreciation:							
Buildings and structures	14,140,355	96,214	14,236,569	948,741	-	-	15,185,310
Land improvements	3,578,329	-	3,578,329	380,848	-	-	3,959,177
Machinery and equipment	5,666,060	-	5,666,060	297,634	8,000	-	5,955,694
Vehicles	3,940,945	-	3,940,945	73,334	38,329	-	3,975,950
Infrastructure	56,687,516	-	56,687,516	3,711,876	-	-	60,399,392
Total Accumulated Depreciation	84,013,205	96,214	84,109,419	5,412,433	46,329	-	89,475,523
Total Capital Assets, Being Depreciated, Net	72,678,512	384,847	73,063,359	(4,401,713)	-	6,144,934	74,806,580
Governmental Activities Capital Assets, Net	<u>\$ 81,943,320</u>	<u>\$ 388,692</u>	<u>\$ 82,332,012</u>	<u>\$ (4,262,636)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 78,069,376</u>

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 4: Changes in Capital Assets (Continued)

Depreciation expense was charged to governmental functions as follows:

Governmental Activities:	
General government	\$ 141,577
Public safety	1,090,681
Public works	3,711,875
Transportation	73,477
Community Development	71,817
Parks and Recreation	269,532
Internal Service Fund	53,474
Total Depreciation Expense - Governmental Activities	<u>\$ 5,412,433</u>

	Beginning Balance	Adjustments	Adjusted Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-Type Activities:							
Capital assets, not being depreciated:							
Land	\$ 1,184,229	\$ -	\$ 1,184,229	\$ -	\$ -	\$ -	\$ 1,184,229
Construction-in-progress	6,255,521	-	6,255,521	5,448,716	-	(697,409)	11,006,828
Total Capital Assets, Not Being Depreciated	7,439,750	-	7,439,750	5,448,716	-	(697,409)	12,191,057
Capital assets, being depreciated:							
Airport master plan	38,875	-	38,875	-	-	-	38,875
Buildings and structures	519,247	-	519,247	-	-	-	519,247
Land improvements	4,412,833	-	4,412,833	-	-	17,896	4,430,729
Machinery and equipment	29,109	-	29,109	-	-	-	29,109
Utility plant	166,493,156	33,044	166,526,200	910,747	-	679,513	168,116,460
Total Capital Assets, Being Depreciated	171,493,220	33,044	171,526,264	910,747	-	697,409	173,134,420
Less accumulated depreciation:							
Airport master plan	38,875	-	38,875	-	-	-	38,875
Buildings and structures	409,662	-	409,662	8,435	-	-	418,097
Land improvements	1,980,832	-	1,980,832	198,143	-	-	2,178,975
Machinery and equipment	29,109	-	29,109	-	-	-	29,109
Utility plant	69,974,186	-	69,974,186	3,169,603	-	-	73,143,789
Total Accumulated Depreciation	72,432,664	-	72,432,664	3,376,181	-	-	75,808,845
Total Capital Assets, Being Depreciated, Net	99,060,556	33,044	99,093,600	(2,465,434)	-	697,409	97,325,575
Business-type Activities Capital Assets, Net	<u>\$ 106,500,306</u>	<u>\$ 33,044</u>	<u>\$ 106,533,350</u>	<u>\$ 2,983,282</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 109,516,632</u>

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

Business-Type Activities:	
Banning Utility Authority Water	\$ 1,211,968
Electric Utility	1,203,701
Banning Utility Authority Wastewater	533,025
Airport	206,578
Transit	220,909
Total Depreciation Expense - Business-Type Activities	<u>\$ 3,376,181</u>

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 5: Accounts Receivable

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

	Gross Receivable	Allowance For Doubtful Accounts	Net Receivable
General Fund	\$ 765,567	\$ (108,278)	\$ 657,289
Nonmajor Governmental	276	-	276
Internal Service Funds	39,596	(290)	39,306
Water	1,686,899	(46,618)	1,640,281
Electric	4,252,785	(118,068)	4,134,717
Wastewater	511,363	(14,337)	497,026
Nonmajor Proprietary Funds	611,215	(13,997)	597,218
	<u>\$ 7,867,701</u>	<u>\$ (301,588)</u>	<u>\$ 7,566,113</u>

Note 6: Loans Receivable

The City has entered into various loan agreements relating to owner's 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, 2016:

Description	Balance at June 30, 2016
Owners participation loans	\$ 500,000
Disposition and development agreements	1,020,000
First time home buyer down payment assistance loans	360,000
Rehabilitation loans	33,335
Other loans	11,944
Total loans receivable at June 30, 2016	<u>\$ 1,925,279</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 amount is shown as a restricted investment. The amount of deposit with the City of Riverside as of June 30, 2016, amounted to \$1,048,391.

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 8: Long-Term Debt

The following is a summary of the changes in long-term debt for the fiscal year ended June 30, 2016:

	Balance at July 1, 2015*	Defeased	Incurred	Retired	Balance at June 30, 2016	Due Within One Year
Governmental Activities:						
2011 Refunding Lease	\$ 2,147,361	\$ -	\$ -	\$ 358,806	\$ 1,788,555	\$ 372,388
Glick Note Payable	125,007	-	-	-	125,007	125,007
Compensated Absences						
Governmental Funds	867,700	-	444,426	377,318	934,808	406,500
Internal Service Funds	153,023	-	112,697	96,633	169,087	112,373
Claims and Judgment	1,270,939	-	484,219	279,433	1,475,725	324,458
Total	\$ 4,564,030	\$ -	\$ 1,041,342	\$ 1,112,190	\$ 4,493,182	\$ 1,340,726
Business-Type Activities:						
Loans Payable	\$ 1,670,469	\$ -	\$ -	\$ 260,856	\$ 1,409,613	\$ 267,639
2005 Water Revenue Bond	29,165,000	(29,165,000)	-	-	-	-
2005 Wastewater Revenue Bond	5,260,000	-	-	160,000	5,100,000	165,000
2007 Electric Revenue Bond	34,270,000	(34,270,000)	-	-	-	-
2015 Electric Refunding Bond	-	-	31,755,000	1,360,000	30,395,000	1,005,000
2015 Water Revenue Bond	-	-	25,365,000	945,000	24,420,000	455,000
Compensated Absences	645,830	-	463,790	320,085	789,535	391,308
Total	\$ 71,011,299	\$ (63,435,000)	\$ 57,583,790	\$ 3,045,941	62,114,148	\$ 2,283,947
Less:						
Unamortized original issue premium					5,581,039	
Unamortized original issue discount					(82,221)	
Net Business-Type Activities					\$ 67,612,966	

*Adjusted for Loan Payable - Glick, see note below.

a. Compensated Absences

For governmental activities, accumulated vacation, sick leave benefits, holiday and compensatory time payable at June 30, 2016, was \$1,103,895, which includes \$169,087 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 \$789,535.

b. Loan Payable – Glick

On August 27, 2008, the Successor 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. This liability transferred from the Successor Agency and became an obligation to the City during fiscal year 2016. At June 30, 2016, the outstanding balance on the note payable is \$125,007.

Year Ending June 30,	Principal	Interest	Total
2017	\$ 125,007	\$ 14,782	\$ 139,789
Total	\$ 125,007	\$ 14,782	\$ 139,789

CITY OF BANNING**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
JUNE 30, 2016

Note 8: Long-Term Debt (Continued)**c. 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, 2016, the outstanding balance on the refunding lease agreement is \$1,788,555.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 372,388	\$ 63,612	\$ 436,000
2018	386,483	49,517	436,000
2019	401,112	34,888	436,000
2020	416,295	19,705	436,000
2021	<u>212,277</u>	<u>3,980</u>	<u>216,257</u>
Total	<u>\$ 1,788,555</u>	<u>\$ 171,702</u>	<u>\$ 1,960,257</u>

d. 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.

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, 2016, the bonds were refunded by the issuance of the 2015 Water Revenue Refunding Bonds and have been removed from long term debt.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 8: Long-Term Debt (Continued)**e. 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, 2016, amounted to \$5,100,000.

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

Year Ending June 30,	Principal	Interest	Total
2017	\$ 165,000	\$ 226,430	\$ 391,430
2018	170,000	219,606	389,606
2019	180,000	212,494	392,494
2020	185,000	204,966	389,966
2021	195,000	197,128	392,128
2022 - 2026	1,100,000	846,281	1,946,281
2027 - 2031	1,380,000	564,250	1,944,250
2032 - 2036	1,725,000	206,391	1,931,391
Total	<u>\$ 5,100,000</u>	<u>\$ 2,677,546</u>	<u>\$ 7,777,546</u>

f. 2015 Water Enterprise Revenue Bonds, Refunding and Improvement Projects

On August 19, 2015, the Banning Utility Authority issued \$25,365,000 in Water Enterprise Revenue Bonds, Refunding and Improvement Projects. The proceeds of the bonds, together with other money being made available by the Authority, will be used to (i) finance certain capital improvements to the Water Enterprise; (ii) refund a portion of the Authority's \$35,635,000 Water Enterprise Revenue Bonds, Refunding and Improvement Projects, 2005 Series, currently outstanding in the aggregate principal amount of \$29,165,000; and (iii) pay costs of issuance of the Bonds. As a result, the refunding bonds defeased the liability of the 2005 Water Revenue Bonds, which have

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016**Note 8: Long-Term Debt (Continued)**

been removed from long-term debt. The refunding resulted in an economic gain of \$9,756,559. The 2015 Water Enterprise Revenue Bonds bear interest at rates ranging from 2.00% to 5.00%. Interest is payable semi-annually on May 1 and November 1. The balance outstanding as of June 30, 2016, of the debt service payments are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 455,000	\$ 1,069,313	\$ 1,524,313
2018	730,000	1,053,813	1,783,813
2019	745,000	1,027,963	1,772,963
2020	970,000	988,813	1,958,813
2021	1,020,000	939,063	1,959,063
2021 - 2026	5,935,000	3,854,438	9,789,438
2026 - 2031	7,450,000	2,326,597	9,776,597
2031 - 2036	7,115,000	675,534	7,790,534
Total	<u>\$ 24,420,000</u>	<u>\$ 11,935,534</u>	<u>\$ 36,355,534</u>

g. Loan Payable - California Water Resource Control Board

On March 17, 1999, the City entered 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 a 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, 2016, was \$1,409,613. The loan is recorded in the BUA Wastewater Utility Enterprise Fund.

Year Ending June 30,	Principal	Service Charge	Total
2017	\$ 267,639	\$ 36,650	\$ 304,289
2018	274,597	29,691	304,288
2019	281,737	22,552	304,289
2020	289,063	15,227	304,290
2021	296,577	7,711	304,288
Total	<u>\$ 1,409,613</u>	<u>\$ 111,831</u>	<u>\$ 1,521,444</u>

CITY OF BANNING**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
JUNE 30, 2016

Note 8: Long-Term Debt (Continued)**h. 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%.

At June 30, 2016, the bond was refunded with the issuance of the 2015 Electric Revenue Refunding Bonds and have been removed from long term debt.

i. 2015 Electric Revenue Refunding Bonds

On August 19, 2015, the Banning Financing Authority issued \$31,755,000 in Refunding Revenue Bonds (Electric System Project). The proceeds of the bond, together with other money being made available by the Authority, will be used to (i) refund the Authority's \$45,790,000 Revenue Bonds (Electric System Project) Series 2007, currently outstanding in the amount of \$34,270,000; (ii) finance certain improvements (the "Facilities") to the electric system of the City of Banning; (iii) pay the insurance premium for the Bonds; (iv) purchase a reserve surety bond for the Bonds; and (v) pay costs of issuance of the Bonds. As a result, the refunding bonds defeased the liability of the 2007 Electric Revenue Bonds, which have been removed from long-term debt. The refunding resulted in an economic gain of \$6,893,088.83. The 2015 Electric Enterprise Revenue Bonds bear interest at rates ranging from 3.00% to 5.00%. Interest is payable semi-annually on June 1 and December 1. The balance outstanding as of June 30, 2016, of the debt service payments are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 1,005,000	\$ 1,418,744	\$ 2,423,744
2018	1,045,000	1,378,544	2,423,544
2019	1,095,000	1,326,294	2,421,294
2020	1,150,000	1,271,544	2,421,544
2021	1,210,000	1,214,044	2,424,044
2021 - 2026	7,025,000	5,098,969	12,123,969
2026 - 2031	8,620,000	3,354,825	11,974,825
2031 - 2036	7,625,000	1,520,750	9,145,750
2036 - 2041	1,620,000	81,000	1,701,000
Total	<u>\$ 30,395,000</u>	<u>\$ 16,664,714</u>	<u>\$ 47,059,714</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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 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, 2016</u>
AD 2004-1	\$ 2,898,000	\$ 2,275,000

Note 10: Operating Lease

In December 2005, the Banning Utility Authority entered 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, 2016.

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

All qualified permanent and probationary employees are eligible to participate in the City's Miscellaneous Plan, agent multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Plan Description – City Safety Plan

The City of Banning Safety Plan, is a cost-sharing multiple-employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). All qualified safety employees are eligible to participate in the City's Safety (Police and Fire) Plan. Benefit provisions under the Safety Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plan provisions and benefits in effect at June 30, 2016, are summarized as follows:

Miscellaneous Plan		
	Prior to January 1, 2013*	On or after January 1, 2013
Hire date		
Benefit formula	2.5% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	52
Monthly benefits, as a % of eligible compensation	2.00% to 2.50%	1.1% to 2.00%
Required employee contribution rates	7.975%	6.250%
Required employer contribution rates	21.151%	21.151%

* Closed to new entrants not previously in CalPERS

Safety cost-sharing plan	
Hire date	Prior to January 1, 2013
Benefit formula	3% @ 50
Benefit vesting schedule	5 years service
Benefit payments	monthly for life
Retirement age	50
Monthly benefits, as a % of eligible compensation	3.000%
Required employee contribution rates	9.000%
Required employer contribution rates	43.661%

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30, by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the period ended June 30, 2016, City contributions totaling \$2,383,921 was recognized as a reduction to the net pension liability.

Net Pension Liability

The net pension liability is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2015, using an annual actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

For the measurement period ended June 30, 2015, the total pension liability was determined by rolling forward the June 30, 2014 total pension liability. The June 30, 2014 and the June 30, 2015 total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.65% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality Rate Table (1)	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

(1) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from 1997 to 2007, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Change of Assumptions

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50 percent used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65 percent used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund (Public Employees' Retirement Fund) cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by CalPERS effective on July 1, 2014.

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (1)	Real Return Years 11+ (2)
Global Equity	51.0%	5.25%	5.71%
Global Debt Securities	19.0	0.99	2.43
Inflation Assets	6.0	0.45	3.36
Private Equity	10.0	6.83	6.95
Real Estate	10.0	4.50	5.13
Infrastructure and Forestland	2.0	4.50	5.09
Liquidity	2.0	(0.55)	(1.05)

(1) An expected inflation of 2.5% used for this period

(2) An expected inflation of 3.0% used for this period

Changes in the Net Pension Liability

The following table shows the changes in net pension liability recognized over the measurement period.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Assets) (c)=(a)-(b)
Balance at: 6/30/2014 (Valuation Date) (1)	\$ 62,685,187	\$ 44,448,515	\$ 18,236,672
Changes Recognized for the Measurement Period:			
Service Cost	1,237,963	-	1,237,963
Interest on the Total Pension Liability	4,647,945	-	4,647,945
Change of Assumptions	(1,116,894)	-	(1,116,894)
Difference between Expected and Actual Experience	(48,685)	-	(48,685)
Plan to Plan Resource Movement	-	9,303	(9,303)
Contribution from the Employer	-	1,479,527	(1,479,527)
Contributions from Employees	-	566,122	(566,122)
Net Investment Income (2)	-	1,020,136	(1,020,136)
Benefit Payments including Refunds of Employee Contributions	(2,762,291)	(2,762,291)	-
Administrative Expense	-	(50,336)	50,336
Net Changes During 2014-15	1,958,038	262,461	1,695,577
Balance at: 6/30/2015 (Measurement Date) (1)	<u>\$ 64,643,225</u>	<u>\$ 44,710,976</u>	<u>\$ 19,932,249</u>

(1) The fiduciary net position includes receivables for employee service buybacks, deficiency reserves, fiduciary self-insurance and OPEB expense. This may differ from the plan assets reported in the funding actuarial valuation report.

(2) Net of administrative expenses.

As of June 30, 2016, the City reported a \$11,900,560 net pension liability for its proportionate share of the pooled net pension liability.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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

The City's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2015, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. City's proportion of the net pension liability was based on CalPERS' Public Agency Cost-Sharing Allocation Methodology Report, which can be obtained on the CalPERS website. The City's proportionate share of the net pension liability for the Plan as of June 30, 2014 and 2015 was as follows:

	Safety Plan
Proportion - June 30, 2014	0.28259%
Proportion - June 30, 2015	0.28882%
Change - Increase (Decrease)	0.0062%

Sensitivity of the Net Pension Liability to Changes in the Discount Rates

The following presents the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.65 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65 percent) or 1 percentage-point higher (8.65 percent) than the current rate:

	Discount Rate - 1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate +1% (8.65%)
Miscellaneous Plan's Net Pension Liability/(Assets)	\$ 28,417,637	\$ 19,932,249	\$ 12,879,436
	Discount Rate - 1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate +1% (8.65%)
Safety Plan's Net Pension Liability/(Assets)	\$ 18,055,430	\$ 11,900,560	\$ 6,853,679

Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in the separately issued CalPERS financial report.

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2016, the City of Banning incurred a pension expense of \$2,353,623 for the Plan. At June 30, 2016, the City of Banning has deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 2,812,712	\$ -
Difference between Expected and Actual Experience	-	(149,234)
Change in Assumptions	-	(1,222,167)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	1,864,298	(2,530,364)
Adjustment due to Difference in Proportions	1,984,099	-
Difference in proportionate share	-	(64,504)
Total	\$ 6,661,109	\$ (3,966,269)

The \$2,812,712 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows or deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal year ended June 30:	Deferred Outflows/(Inflows) of Resources
2016	\$ (496,857)
2017	(272,524)
2018	(158,006)
2019	809,515
Total	\$ (117,872)

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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

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

Funding Plan

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

Annual Contributions

The amount of employee contributions was \$12,989 (7.5% of covered payroll). Total payroll for employees covered under this plan for the year was \$173,184.

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.

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.

CITY OF BANNING**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
JUNE 30, 2016

Note 13: Insurance Programs (Continued)

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, 2016, the amount of these liabilities \$1,475,725. The amount represents an estimate of \$973,561 for reported claims through June 30, 2016, and \$531,045 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 there have been no settlements exceeding the insurance coverages for each of the past four fiscal years.

Changes in the reported liability since June 30, 2016, resulted from the following:

<u>Year</u>	<u>Liability at Beginning of Fiscal Year</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Liability at End of Fiscal Year</u>
2015	\$ 1,389,920	\$ 825,940	\$ 944,921	\$ 1,270,939
2016	1,270,939	484,219	279,433	1,475,725

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**a. Grant Compliance Audits**

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.

b. Pending Litigation

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.

c. Proposition 218

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.

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 14: Commitments and Contingencies (Continued)

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.

d. Construction Contracts

The following material construction commitments existed at June 30, 2016:

Project Name	Contract Amount	Expenditures to date as of June 30, 2016	Remaining Commitments
Wastewater Treatment Plant Expansion-Parsons	\$ 2,397,929	\$ 2,169,811	\$ 228,118
Mgmt- downtown underground conv - Leidos Eng	178,144	23,327	154,817
Downtown underground- Phase 3 - West Coast El	1,324,230	1,307,845	16,385
Const Mgmt- Corp Yard - Bernards Bros	356,159	343,849	12,310
Corp yard warehouse -Phase 1- Molej Bui ders	1,200,650	1,141,577	59,073
Corp yard warehouse- Phase 2 - Kinsman Const	944,900	895,579	49,321
Corp yard warehouse- Phase 3 - ICS	1,259,500	670,500	589,000
Design for 4 substations - Leidos Engineering	620,000	276,144	343,856
Elec distribution imp - Regency-Pacific Dev	485,320	476,142	9,178
Stream monitoring program - US Geological Survey	149,700	125,700	24,000
CNG bus - Creative Bus Sales	444,335	-	444,335
Water mainimprovements - Tri-Star Contracting	562,093	198,869	363,224
Repairs to wells/ booster pumps - Tri County Pump	201,250	-	201,250
Canyon wa main replacement design - Albert Webb	242,990	19,522	223,468
	<u>\$ 10,367,200</u>	<u>\$ 7,648,865</u>	<u>\$ 2,718,335</u>

Note 15: Southern California Public Power Authority

The City, through its Electric Utility Fund, has entered into a "take or pay" contract and "take and pay" contract through its participation in the Southern California Public Power Authority (SCPPA) in order to meet the electric needs of its customers. These contracts are not considered a joint venture since the City has no interest in the assets, liabilities, or equity associated with any of the projects to which these contracts refer. Under the "take or pay" contract, the City is obligated to pay its share of the indebtedness regardless of the ability of the contracting agency to provide electricity or the City's need for the electricity. The City is only obligated to pay its share of the indebtedness upon delivery of energy under the "take and pay" contracts. A long-term obligation has not been recorded in the accompanying basic financial statements as these commitments do not represent an obligation of the Electric Utility until the year the power is available to be delivered to the Electric Utility.

During the fiscal year ended June 30, 2016, the Electric Utility Fund made payments totaling \$1,052,197 for these contracts. SCPPA membership consists of 10 Southern California cities and one public irrigation district of the State of California, which serves the electric power needs of its Southern California electricity customers. SCPPA, a public entity organized under the laws of the State of California, was formed by a joint powers agreement dated November 1, 1980, pursuant to the Joint Exercise of Powers Act of the State of California. SCPPA was created for the purpose of planning, financing, developing, acquiring, constructing, operating and maintaining projects for the generation and transmission of electric energy for sale to its participants. The joint power agreement has a term of 50 years.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 15: Southern California Public Power Authority (Continued)

For the year ended June 30, 2016, the City of Banning had power purchase agreements in the following SCPPA operating projects:

a. Palo Verde Project

Pursuant to an assignment agreement dated August 14, 1981 with the Salt River Project, SCPPA purchased a 5.910% interest in the Palo Verde Nuclear Generating Station, a 3,810 MW nuclear-fueled generating station near Phoenix, Arizona and a 6.550% share of the right to use certain portions of the Arizona nuclear power project valley transmission system (collectively, the PV). Units 1, 2 and 3 of PV began commercial operations in January 1986, September 1986 and January 1988, respectively. The City's ownership share of this project is 1.0%.

b. San Juan Project

Effective July 1, 1993, the SCPPA purchased a 41.80% interest in Unit 3 and related common facilities of the San Juan Generation Station from Century Power Corporation. The City's ownership share of this project is 9.8%.

c. Mead-Phoenix Project

SCPPA entered into an agreement dated December 17, 1991 to acquire an interest in the MP, a transmission line extending between the West Wing substation in Arizona and the Marketplace substation in Nevada. The agreement provides SCPPA with an 18.308% interest in the West Wing-Mead project, a 17.756% interest in the Mead substation project component and a 22.408% interest in the Mead-Marketplace component. The project is a 256 mile, 500 kV AC transmission line with a rating of 1,300 MW. The City's ownership share of MP is 0.7%.

d. Mead-Adelanto Project

SCPPA also entered into an agreement dated December 17, 1991 to acquire a 67.917% interest in the MA, a transmission line extending between the Adelanto substation in Southern California and the Marketplace substation in Nevada. Funding for these projects was provided by a transfer from the Multiple Projects Fund, and commercial operations commenced in April 1996. LADWP serves as the operations manager of MA. The project is a 202 mile, 500 kV AC transmission line with a rating of 1,200 MW. The City's ownership share of MA is 1.1%.

e. Hoover Upgrading Project

On March 1, 1986, SCPPA and the City, and eight participants including the Cities of Anaheim, Azusa, Banning, Colton, Glendale, Pasadena, Riverside and Vernon entered into an agreement pursuant to which each participant assigned its entitlement to capacity and associated firm energy to SCPPA in return for SCPPA's agreement to make advance payments to the USBR on behalf of such participants. SCPPA has an 18.680% interest in the contingent capacity of the HU. All 17 "uprated" generators of the HU have commenced commercial operations. The City has a 2.1% (15 MW) ownership interest in this project.

CITY OF BANNING**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
JUNE 30, 2016

Note 15: Southern California Public Power Authority (Continued)

A summary of the City's contracts and related projects and its commitments at June 30, 2016 are shown below:

	City of Banning portion	City of Banning share of bonds	City of Banning obligation relating to total debt service
Palo Verde	1.00%	\$ 124,100	\$ 244,400
San Juan	9.80%	-	2,091,810
Mead-Phoenix	0.70%	354,592	393,197
Mead-Adelanto	1.10%	1,233,078	1,430,913
Hoover Upgrading	2.10%	44,961	87,591
		<u>\$ 1,756,731</u>	<u>\$ 4,247,911</u>

Note 16: 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, 2016

Note 16: 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	\$ 2,030,404
Cash and investments with fiscal agent	<u>3,539,151</u>
	<u><u>\$ 5,569,555</u></u>

b. Loans Receivable

The former redevelopment agency had entered into various loan agreements relating to owners' participation agreements and various other loans receivable. The owners' participation agreements have repayment terms between 6 and 55 years. The following summarizes the loans outstanding at June 30, 2016:

Description	Balance at June 30, 2016
Owners participation loans	<u>\$ 4,347,194</u>
Total loans receivable at June 30, 2016	<u><u>\$ 4,347,194</u></u>

During the Fiscal Year ending June 30, 2016, \$621,845 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, 2016

Note 16: Successor Agency Trust For Assets of Former Redevelopment Agency (Continued)

c. Capital Assets

An analysis of capital assets as of June 30, 2016, follows:

	Balance July 1, 2015	Adjustments	Adjusted Beginning Balance	Additions	Balance June 30, 2016
Nondepreciable Assets:					
Land	\$ 3,845	\$ (3,845)	\$ -	\$ -	\$ -
Construction-in-progress	122	-	122	93,435	93,557
Total nondepreciable assets	3,967	(3,845)	122	93,435	93,557
Depreciable Assets:					
Land Improvements	2,201,160	-	2,201,160	-	2,201,160
Building and Structures	1,830,092	(481,061)	1,349,031	-	1,349,031
Machinery and Equipment	28,378	-	28,378	-	28,378
Infrastructure	3,307,989	-	3,307,989	-	3,307,989
Total depreciable assets	7,367,619	(481,061)	6,886,558	-	6,886,558
Less Accumulated Depreciation					
Land Improvements	714,060	-	714,060	97,882	811,942
Building and Structures	262,483	(96,214)	166,269	28,338	194,607
Machinery and Equipment	28,378	-	28,378	-	28,378
Infrastructure	563,560	-	563,560	99,945	663,505
Total Accumulated Depreciation	1,568,481	(96,214)	1,472,267	226,165	1,698,432
Total depreciable assets, net	5,799,138	(384,847)	5,414,291	(226,165)	5,188,126
Capital Assets	\$ 5,803,105	\$ (388,692)	\$ 5,414,413	\$ (132,730)	\$ 5,281,683

d. Long-Term Debt

A description of long-term debt outstanding of the Successor Agency as of June 30, 2016, follows:

	Balance July 1, 2015	Adjustments	Additions	Repayments	Balance June 30, 2016	Due Within One Year
Fiduciary Funds:						
2003 Tax Allocation Bonds	\$ 9,620,000	\$ -	\$ -	\$ 500,000	\$ 9,120,000	\$ 520,000
2007 Tax Allocation Bonds	26,875,000	-	-	750,000	26,125,000	780,000
Loans Payable	125,007	(125,007)	-	-	-	-
SERAF loan	2,298,433	-	-	305,425	1,993,008	-
Total Fiduciary Funds	<u>\$ 38,918,440</u>	<u>\$ (125,007)</u>	<u>\$ -</u>	<u>\$ 1,555,425</u>	<u>37,238,008</u>	<u>\$ 1,300,000</u>
				Unamortized Premiums/Discounts	(609,960)	
				Total Long-term Debt	<u>\$ 36,628,048</u>	

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016
Note 16: 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, 2016, totaled \$9,120,000.

Year Ending June 30,	Principal	Interest	Total
2017	\$ 520,000	\$ 436,370	\$ 956,370
2018	545,000	412,733	957,733
2019	570,000	387,360	957,360
2020	595,000	359,375	954,375
2021	625,000	328,875	953,875
2022 - 2026	3,625,000	1,130,625	4,755,625
2027 - 2029	2,640,000	202,500	2,842,500
Total	<u>\$ 9,120,000</u>	<u>\$ 3,257,838</u>	<u>\$ 12,377,838</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, 2016, totaled \$26,125,000.

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016**Note 16: Successor Agency Trust For Assets of Former Redevelopment Agency (Continued)**

Year Ending June 30,	Principal	Interest	Total
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	865,000	990,250	1,855,250
2021	900,000	954,950	1,854,950
2022 - 2026	5,085,000	4,185,725	9,270,725
2027 - 2031	7,355,000	2,947,781	10,302,781
2032 - 2036	6,940,000	1,345,094	8,285,094
2037 - 2039	2,560,000	110,031	2,670,031
Total	<u>\$ 26,125,000</u>	<u>\$ 13,696,187</u>	<u>\$ 39,821,187</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, 2016, the promissory note had been transferred to the City and is no longer an obligation of the Agency.

h. Supplement Education Augmentation Fund (SERAF) 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. The Department of Finance allowed a payment of \$305,425 with the Agency's concurrence in the current year. The amount of the loan outstanding at June 30, 2016, totaled \$1,993,008.

i. Pledged Revenue

The City pledged, as security for bonds issued, either directly or through the Financing Authority, a portion of tax increment revenue (including Low and Moderate Income Housing set-aside and pass through allocations) that it receives. The bonds issued were to provide financing for various capital projects, accomplish Low and Moderate Income Housing projects and to defease previously issued bonds. Assembly Bill 1X 26 provided that upon dissolution of the Redevelopment Agency, property taxes allocated to redevelopment agencies no longer are deemed tax increment but rather property tax revenues and will be allocated first to successor agencies to make payments on the indebtedness incurred by the dissolved redevelopment agency. Total principal and interest remaining on the debt is \$54,192,033 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 \$3,541,209 and the debt service obligation on the bonds was \$3,125,261.

CITY OF BANNING**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
JUNE 30, 2016

Note 16: Successor Agency Trust For Assets of Former Redevelopment Agency (Continued)**j. 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.

k. Commitments and Contingencies

At June 30, 2016, 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 17: Fund Balance/Net Position Restatement**Glick Note Payable**

On August 27, 2008, the Successor Agency entered into a promissory note. This liability transferred from the Successor Agency and became an obligation to the City during fiscal year 2015 as a result of the Department of Finances approval of the Banning Successor Agency's Long-Range Property Management Plan. The associated asset purchased previously with Glick Note proceeds was valued at \$481,061 at 6/30/2016. A restatement is required as this occurred during the previous year. Subsequent to the June 30, 2016 fiscal year end, the City decided to pay off the note payable in full on November 23, 2016. The amount of principal paid was \$125,007 and the interest expense totaled \$14,782, for a full amount of \$139,788.

Description	Amount
Government-Wide Governmental Restatements	
Addition of outstanding Glick Note Payable	\$ (125,007)
Addition of asset purchased with Glick Note Payable Proceeds	388,692
	<u>\$ 263,685</u>
Successor Agency Restatements	
Removal of outstanding Glick Note Payable	\$ 125,007
Removal of asset purchased with Glick Note Payable Proceeds	(388,692)
	<u>\$ (263,685)</u>

CITY OF BANNING

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 18: Special Item

Pursuant to Health and Safety Code (the "HSC") § 34178 (c), the City of Banning came to an agreement with the Successor Agency to the dissolved community redevelopment agency of the City of Banning on January 26, 2016, to transfer excess bond proceeds to the City from the Successor Agency. This transfer of \$8,801,033 included assets and liabilities related to the unspent bond proceeds of the 2003 Tax Allocation Bonds and the 2007 Tax Allocation Bonds.

Note 19: Subsequent Events

Tax Allocation Refunding Bonds, Series 2016 (Taxable)

In September 2016, the Successor Agency of the Dissolved Redevelopment Agency of the City of Banning issued \$32,255,000 Taxable Allocation Refunding Bonds, Series 2016, to refund certain tax allocation bonds of the Successor Agency, to purchase a surety bond for the Reserve Fund for the 2016 Bonds, purchase a municipal bond insurance policy for the 2016 Bonds, and to pay the cost of issuance of the 2016 Bonds.

CITY OF BANNING

MISCELLANEOUS PLAN

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)

MEASUREMENT PERIOD	2015	2016
TOTAL PENSION LIABILITY		
Service Cost	\$ 1,309,205	\$ 1,237,963
Interest	4,417,332	4,647,945
Difference Between expected and Actual Experience	-	(48,685)
Changes in Assumptions	-	(1,116,894)
Benefit Payments, Including Refunds of employee Contributions	(2,569,019)	(2,762,291)
Net Change in Total Pension Liability	\$ 3,157,518	\$ 1,958,038
Total Pension Liability - Beginning	59,527,669	62,685,187
Total Pension Liability - Ending (a)	\$ 62,685,187	\$ 64,643,225
PLAN FIDUCIARY NET POSITION		
Contribution - Employer	\$ 1,511,733	\$ 1,479,527
Contribution - Employee	608,478	566,122
Plan to Plan Resource Movement	-	9,303
Net Investment Income	6,586,288	1,020,136
Benefit Payments, Including Refunds of Employee Contributions	(2,569,019)	(2,762,291)
Administrative Expense	-	(50,336)
Net Change in Fiduciary Net Position	\$ 6,137,480	\$ 262,461
Plan Fiduciary Net Position - Beginning	38,311,035	44,448,515
Plan Fiduciary Net Position - Ending (b)	\$ 44,448,515	\$ 44,710,976
Plan Net Pension Liability/(Assets) - Ending (a) - (b)	\$ 18,236,672	\$ 19,932,249
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.91%	69.17%
Covered-Employee Payroll	\$ 7,427,270	\$ 6,992,494
Plan Net Pension Liability/(Asset) as a Percentage of Covered-Employee Payroll	245.54%	285.05%

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only two years are shown.

(2) Net of administrative expenses.

Notes to Schedule:

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2014. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions: The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent.

Measurement Date: All information in this schedule is as of the measurement date noted in the financial statement footnotes.

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only two years are shown.

CITY OF BANNING

**MISCELLANEOUS PLAN
SCHEDULE OF PLAN CONTRIBUTIONS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)**

	2015	2016
Actuarially Determined Contribution	\$ 1,349,103	\$ 1,483,525
Contribution in Relation to the Actuarially Determined Contribution	(1,349,103)	(1,483,525)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-Employee Payroll	\$ 6,992,494	\$ 7,149,518
Contributions as a Percentage of Covered-Employee Payroll	19.29%	20.75%

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only one year is shown.

Note to Schedule:

Valuation Date:	June 30, 2013
Methods and assumptions used to determine contribution rates:	
Amortization method	Level percentage of payroll, closed
Assets valuation method	Market Value
Discount Rate	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 of 2.75% and an annual production growth of 0.25%.
Investment rate of return	7.50% net of pension plan investment and administrative
Retirement age	The probabilities of retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

CITY OF BANNING

SAFETY PLAN

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)**

	2015	2016
Proportion of the Net Pension Liability	0.28259%	0.28882%
Proportionate Share of the Net Pension Liability	\$ 10,599,884	\$ 11,900,560
Covered-Employee Payroll	\$ 2,399,596	\$ 2,184,008
Proportionate Share of the Net Pension Liability as Percentage of Covered-Employee Payroll	441.74%	544.90%
Plan Fiduciary Net Position	\$ 33,631,871	\$ 33,631,871
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.04%	73.49%

Notes to Schedule:

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2014. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions: The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent.

Measurement Date: All information in this schedule is as of the measurement date noted in the financial statement footnotes.

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only two years are shown.

CITY OF BANNING

**SAFETY PLAN
SCHEDULE OF PLAN CONTRIBUTIONS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)**

	2015	2016
Actuarially Determined Contribution	\$ 1,034,818	\$ 1,329,187
Contribution in Relation to the Actuarially Determined Contribution	(1,034,818)	(1,329,187)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-Employee Payroll	\$ 2,184,008	\$ 2,205,720
Contributions as a Percentage of Covered-Employee Payroll	47.38%	60.26%

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only two years are shown.

Note to Schedule:

Valuation Date:	June 30, 2013
Methods and assumptions used to determine contribution rates:	
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization method	Level percentage of payroll, closed
Assets valuation method	Market Value
Discount Rate	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 of 2.75% and an annual production growth of 0.25%.
Investment rate of return	7.50% net of pension plan investment and administrative expenses, including inflation.
Retirement age	The probabilities of retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

CITY OF BANNING

**BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 YEAR ENDED JUNE 30, 2016**

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 9,801,596	\$ 9,801,596	\$ 9,801,596	\$ -
Resources (Inflows):				
Taxes:				
Sales and use	3,152,000	3,152,000	3,262,934	110,934
Property	4,433,461	4,479,212	4,459,662	(19,550)
Franchise	865,475	869,475	860,923	(8,552)
Transient occupancy	700,000	700,000	789,994	89,994
Other	810,000	810,000	755,028	(54,972)
Subtotal	9,960,936	10,010,687	10,128,541	117,854
Licenses and permits:				
Building permits	98,000	98,000	129,235	31,235
Other permits	(98,000)	(98,000)	650,319	748,319
Subtotal	-	-	779,554	779,554
Intergovernmental:				
State motor vehicle in-lieu fees	-	12,303	12,303	-
Other intergovernmental revenues	101,114	539,356	431,943	(107,413)
Subtotal	101,114	551,659	444,246	(107,413)
Charges for services:				
Engineering, police, fire and other fees	186,169	238,446	150,179	(88,267)
Recreation fees	90,200	89,600	94,885	5,285
Interfund charges	3,031,618	3,037,984	3,072,085	34,101
Subtotal	3,307,987	3,366,030	3,317,149	(48,881)
Use of money and property:				
Interest and rents	495,200	505,450	528,586	23,136
Subtotal	495,200	505,450	528,586	23,136
Fines and forfeitures				
Parking fines	12,150	15,000	10,653	(4,347)
Court fines and other fines	260,800	257,950	256,757	(1,193)
Subtotal	272,950	272,950	267,410	(5,540)
Contributions	5,400	5,400	1,800	(3,600)
Contribution from Successor Agency	-	250,000	250,000	-
Miscellaneous	333,000	383,000	431,606	48,606
Transfers in	724,000	724,000	724,000	-
Subtotal	1,062,400	1,362,400	1,407,406	45,006
Total Resources (inflows)	15,200,587	16,069,176	16,872,892	803,716
Amounts Available for Appropriations	25,002,183	25,870,772	26,674,488	803,716

CITY OF BANNING

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2016**

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Charges to Appropriations (Outflow):				
General government				
City council	172,420	173,146	157,043	16,103
City manager	398,068	324,227	307,731	16,496
Personnel	166,334	177,207	90,869	86,338
City clerk	98,405	98,399	100,411	(2,012)
City attorney	420,739	420,739	420,739	-
Finance	294,450	373,217	189,479	183,738
Economic Development	13,050	39,050	43,545	(4,495)
Community enhancement	104,187	33,694	(44,379)	78,073
Central services	1,012,156	1,096,366	901,626	194,740
Building maintenance	144,086	104,126	8,825	95,301
Subtotal	<u>2,823,895</u>	<u>2,840,171</u>	<u>2,175,889</u>	<u>664,282</u>
Public safety				
Police	6,116,369	5,836,578	5,560,584	275,994
Animal control	147,350	159,050	147,670	11,380
Fire	2,798,761	2,840,263	2,548,785	291,478
Dispatch	837,956	819,810	772,239	47,571
Subtotal	<u>9,900,436</u>	<u>9,655,701</u>	<u>9,029,278</u>	<u>626,423</u>
Community development				
TV government access	8,969	23,878	33,869	(9,991)
Building safety	312,558	281,729	306,855	(25,126)
Code enforcement	316,492	323,835	258,350	65,485
Planning	472,092	800,545	702,268	98,277
Developer Pardee	-	52,277	35,774	16,503
Engineering	175,422	228,482	174,760	53,722
Community enhancement	25,000	40,620	10,000	30,620
Subtotal	<u>1,310,533</u>	<u>1,751,366</u>	<u>1,521,876</u>	<u>229,490</u>
Culture and leisure				
Parks	462,894	407,974	315,576	92,398
Recreation	338,322	280,798	257,590	23,208
Aquatics	114,851	131,461	133,664	(2,203)
Senior Center	62,954	63,735	57,246	6,489
Subtotal	<u>979,021</u>	<u>883,968</u>	<u>764,076</u>	<u>119,892</u>
Capital outlay	49,532	433,279	256,128	177,151
Debt service:				
Principal retirement	359,626	359,626	358,806	820
Interest and fiscal charges	77,374	77,374	76,884	490
Transfers out	164,325	164,325	248,084	(83,759)
Subtotal	<u>650,857</u>	<u>1,034,604</u>	<u>939,902</u>	<u>94,702</u>
Total Charges to Appropriations	<u>15,664,742</u>	<u>16,165,810</u>	<u>14,431,021</u>	<u>1,734,789</u>
Budgetary Fund Balance, June 30	<u>\$ 9,337,441</u>	<u>\$ 9,704,962</u>	<u>\$ 12,243,467</u>	<u>\$ 2,538,505</u>

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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, and Capital Projects Funds, except for the Banning Housing Authority Special Revenue Fund, Asset Forfeiture Special Revenue Fund, State Park Bond Act Special Revenue Fund, the Excess Bond Proceeds Capital Project Fund, the Excess Bond Proceeds Low/Mod Capital Project Fund, and the Sunset Grade Separation Capital Project Fund. Budgeted revenue and expenditure amounts shown represent the City's originally adopted legal budget adjusted for unanticipated revenues and appropriations during the course of the fiscal year. Budget amounts, as adjusted, reported for the governmental funds of the City are adopted on a basis consistent with generally accepted accounting principles (GAAP).

b. Excess expenditures over appropriations

General Fund	<u>Actual</u>	<u>Budget</u>	<u>Excess</u>
General Government			
City clerk	\$ 100,411	\$ 98,399	\$ 2,012
Economic development	43,545	39,050	4,495
Community Development			
TV government access	33,869	23,878	9,991
Building safety	306,855	281,729	25,126
Culture and leisure			
Building safety	133,664	131,461	2,203

CITY OF BANNING

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016**

	Special Revenue Funds			
	Gas Tax Street	Measure A	SB 300 Street	Article 3 Sidewalk
Assets:				
Pooled cash and investments	\$ 269,057	\$ 1,910,121	\$ 71,708	\$ -
Receivables:				
Accounts	100	-	-	-
Loans	-	-	-	-
Interest	351	2,590	101	-
Grants	-	-	-	-
Due from other governments	476	99,962	-	-
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
Total Assets	\$ 269,984	\$ 2,012,673	\$ 71,809	\$ -
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ 10,493	\$ -	\$ -	\$ -
Accrued liabilities	21,738	-	-	-
Unearned revenues	-	-	-	-
Deposits payable	95,961	-	-	-
Due to other funds	-	-	-	-
Total Liabilities	128,192	-	-	-
Deferred Inflows of Resources:				
Unavailable revenues	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-
Fund Balances:				
Restricted for:				
Community development projects	-	-	-	-
Public safety	-	-	-	-
Culture and leisure	-	-	-	-
Transportation	141,792	2,012,673	71,809	-
Capital Projects	-	-	-	-
Assigned to:				
Capital Projects	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	141,792	2,012,673	71,809	-
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 269,984	\$ 2,012,673	\$ 71,809	\$ -

CITY OF BANNING

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016

(CONTINUED)

	Special Revenue Funds			
	Community Development Block Grant	Landscape Maintenance District	AQMD Air Pollution Program	Asset Forfeiture
Assets:				
Pooled cash and investments	\$ 354,121	\$ 319,441	\$ 4,700	\$ 2,523
Receivables:				
Accounts	-	-	-	-
Loans	-	-	-	-
Interest	-	452	208	4
Grants	-	-	30,000	-
Due from other governments	33,726	2,629	10,432	-
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
Total Assets	\$ 387,847	\$ 322,522	\$ 45,340	\$ 2,527
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ 19,371	\$ 2,069	\$ -	\$ -
Accrued liabilities	-	-	-	-
Unearned revenues	-	-	-	-
Deposits payable	-	-	-	-
Due to other funds	368,475	-	-	-
Total Liabilities	387,846	2,069	-	-
Deferred Inflows of Resources:				
Unavailable revenues	33,726	651	30,000	-
Total Deferred Inflows of Resources	33,726	651	30,000	-
Fund Balances:				
Restricted for:				
Community development projects	-	-	15,340	-
Public safety	-	-	-	2,527
Culture and leisure	-	-	-	-
Transportation	-	319,802	-	-
Capital Projects	-	-	-	-
Assigned to:				
Capital Projects	-	-	-	-
Unassigned	(33,725)	-	-	-
Total Fund Balances	(33,725)	319,802	15,340	2,527
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 387,847	\$ 322,522	\$ 45,340	\$ 2,527

CITY OF BANNING

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016**

	Special Revenue Funds			
	Supplemental Law Enforcement	State Park Bond Act	Special Donations	Senior Center Activities
Assets:				
Pooled cash and investments	\$ 161,436	\$ 942	\$ 25,908	\$ 40,670
Receivables:				
Accounts	-	-	-	-
Loans	-	-	-	-
Interest	227	1	-	58
Grants	-	-	-	-
Due from other governments	16,667	-	-	-
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
Total Assets	\$ 178,330	\$ 943	\$ 25,908	\$ 40,728
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ 334
Accrued liabilities	-	-	-	-
Unearned revenues	178,330	-	-	-
Deposits payable	-	-	3,863	-
Due to other funds	-	-	-	-
Total Liabilities	178,330	-	3,863	334
Deferred Inflows of Resources:				
Unavailable revenues	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-
Fund Balances:				
Restricted for:				
Community development projects	-	-	22,045	-
Public safety	-	-	-	-
Culture and leisure	-	-	-	40,394
Transportation	-	-	-	-
Capital Projects	-	943	-	-
Assigned to:				
Capital Projects	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	-	943	22,045	40,394
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 178,330	\$ 943	\$ 25,908	\$ 40,728

CITY OF BANNING

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016

(CONTINUED)

	Special Revenue Funds			
	Animal Control Reserve	Police Volunteer	Ramsey/ Highland Home Signal	Wilson Median Improvement
Assets:				
Pooled cash and investments	\$ 4,945	\$ 968	\$ 81,331	\$ 380,574
Receivables:				
Accounts	-	-	-	-
Loans	-	-	-	-
Interest	7	1	114	536
Grants	-	-	-	-
Due from other governments	-	-	-	-
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
Total Assets	\$ 4,952	\$ 969	\$ 81,445	\$ 381,110
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ 28	\$ -	\$ -
Accrued liabilities	-	-	-	-
Unearned revenues	-	-	-	-
Deposits payable	-	-	-	-
Due to other funds	-	-	-	-
Total Liabilities	-	28	-	-
Deferred Inflows of Resources:				
Unavailable revenues	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-
Fund Balances:				
Restricted for:				
Community development projects	-	941	-	-
Public safety	4,952	-	-	-
Culture and leisure	-	-	-	-
Transportation	-	-	81,445	381,110
Capital Projects	-	-	-	-
Assigned to:				
Capital Projects	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	4,952	941	81,445	381,110
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 4,952	\$ 969	\$ 81,445	\$ 381,110

CITY OF BANNING

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016**

	Special Revenue Funds		Capital Projects Funds	
	Riverside County MOU	Banning Housing Authority	Police Facilities Development	Fire Facilities Development
Assets:				
Pooled cash and investments	\$ 26,550	\$ 355,045	\$ 11,764	\$ 951,509
Receivables:				
Accounts	-	-	-	-
Loans	-	886,205	-	-
Interest	-	41	17	1,339
Grants	-	-	-	-
Due from other governments	50,515	1,993,008	-	-
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
Total Assets	\$ 77,065	\$ 3,234,299	\$ 11,781	\$ 952,848
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	16,480	-	-	-
Unearned revenues	-	-	-	-
Deposits payable	-	-	-	-
Due to other funds	-	-	-	-
Total Liabilities	16,480	-	-	-
Deferred Inflows of Resources:				
Unavailable revenues	-	886,205	-	-
Total Deferred Inflows of Resources	-	886,205	-	-
Fund Balances:				
Restricted for:				
Community development projects	-	2,348,094	-	-
Public safety	60,585	-	-	-
Culture and leisure	-	-	-	-
Transportation	-	-	-	-
Capital Projects	-	-	-	-
Assigned to:				
Capital Projects	-	-	11,781	952,848
Unassigned	-	-	-	-
Total Fund Balances	60,585	2,348,094	11,781	952,848
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 77,065	\$ 3,234,299	\$ 11,781	\$ 952,848

CITY OF BANNING

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016

(CONTINUED)

	Capital Projects Funds			
	Traffic Control Facilities	General Facilities	Park Development	Capital Improvement
Assets:				
Pooled cash and investments	\$ 441,790	\$ 437,391	\$ 140,995	\$ 229
Receivables:				
Accounts	-	-	-	-
Loans	-	-	-	-
Interest	622	616	198	-
Grants	-	-	-	-
Due from other governments	-	-	-	-
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	657,882
Total Assets	\$ 442,412	\$ 438,007	\$ 141,193	\$ 658,111
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-
Unearned revenues	-	-	-	-
Deposits payable	-	-	-	-
Due to other funds	-	-	-	19,500
Total Liabilities	-	-	-	19,500
Deferred Inflows of Resources:				
Unavailable revenues	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-
Fund Balances:				
Restricted for:				
Community development projects	-	-	-	-
Public safety	-	-	-	-
Culture and leisure	-	-	-	-
Transportation	-	-	-	-
Capital Projects	-	-	-	-
Assigned to:				
Capital Projects	442,412	438,007	141,193	638,611
Unassigned	-	-	-	-
Total Fund Balances	442,412	438,007	141,193	638,611
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 442,412	\$ 438,007	\$ 141,193	\$ 658,111

CITY OF BANNING

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016**

	Capital Projects Funds			
	Sunset Grade Separation	BEA Low/Mod Capital Project Fund	BEA Capital Project Fund	Total Governmental Funds
Assets:				
Pooled cash and investments	\$ 75	\$ 534,885	\$ 138,765	\$ 6,667,443
Receivables:				
Accounts	-	-	176	276
Loans	-	-	1,027,130	1,913,335
Interest	-	767	483	8,733
Grants	-	-	-	30,000
Due from other governments	2,049,802	-	-	4,257,217
Restricted assets:				
Cash and investments with fiscal agents	-	-	7,627,050	8,284,932
Total Assets	\$ 2,049,877	\$ 535,652	\$ 8,793,604	\$ 21,161,936
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 40,591	\$ 72,886
Accrued liabilities	-	-	-	38,218
Unearned revenues	-	-	-	178,330
Deposits payable	-	-	-	99,824
Due to other funds	2,049,900	-	-	2,437,875
Total Liabilities	2,049,900	-	40,591	2,827,133
Deferred Inflows of Resources:				
Unavailable revenues	2,049,802	-	-	3,000,384
Total Deferred Inflows of Resources	2,049,802	-	-	3,000,384
Fund Balances:				
Restricted for:				
Community development projects	-	-	-	2,386,420
Public safety	-	-	-	68,064
Culture and leisure	-	-	-	40,394
Transportation	-	-	-	3,008,631
Capital Projects	-	-	8,753,013	8,753,956
Assigned to:				
Capital Projects	-	-	-	2,624,852
Unassigned	(2,049,825)	535,652	-	(1,547,898)
Total Fund Balances	(2,049,825)	535,652	8,753,013	15,334,419
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 2,049,877	\$ 535,652	\$ 8,793,604	\$ 21,161,936

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CITY OF BANNING

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

	Special Revenue Funds			
	Gas Tax Street	Measure A	SB 300 Street	Article 3 Sidewalk
Revenues:				
Taxes	\$ -	\$ 527,726	\$ -	\$ -
Intergovernmental	664,878	-	-	-
Use of money and property	1,049	6,423	236	192
Contributions	-	-	-	-
Miscellaneous	1,142	-	-	-
Total Revenues	667,069	534,149	236	192
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Community development	-	-	-	-
Transportation	970,221	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	970,221	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(303,152)	534,149	236	192
Other Financing Sources (Uses):				
Transfers in	164,325	13,303	-	-
Transfers out	-	-	-	(13,303)
Total Other Financing Sources (Uses)	164,325	13,303	-	(13,303)
Special Item	-	-	-	-
Net Change in Fund Balances	(138,827)	547,452	236	(13,111)
Fund Balances, Beginning of Year	280,619	1,465,221	71,573	13,111
Fund Balances, End of Year	\$ 141,792	\$ 2,012,673	\$ 71,809	\$ -

CITY OF BANNING

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

(CONTINUED)

	Special Revenue Funds			
	Community Development Block Grant	Landscape Maintenance District	AQMD Air Pollution Program	Asset Forfeiture
Revenues:				
Taxes	\$ -	\$ 136,194	\$ -	\$ -
Intergovernmental	354,459	-	38,491	-
Use of money and property	-	993	717	10
Contributions	-	-	-	-
Miscellaneous	-	-	-	-
Total Revenues	354,459	137,187	39,208	10
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Community development	-	-	-	-
Transportation	-	89,014	-	-
Capital outlay	388,185	-	300,618	-
Total Expenditures	388,185	89,014	300,618	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(33,726)	48,173	(261,410)	10
Other Financing Sources (Uses):				
Transfers in	11,916	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	11,916	-	-	-
Special Item	-	-	-	-
Net Change in Fund Balances	(21,810)	48,173	(261,410)	10
Fund Balances, Beginning of Year	(11,915)	271,629	276,750	2,517
Fund Balances, End of Year	\$ (33,725)	\$ 319,802	\$ 15,340	\$ 2,527

CITY OF BANNING

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

	Special Revenue Funds			
	Supplemental Law Enforcement	State Park Bond Act	Special Donations	Senior Center Activities
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	38,269	-	-	-
Use of money and property	487	3	-	144
Contributions	-	-	10,200	1,724
Miscellaneous	-	-	-	4,488
Total Revenues	38,756	3	10,200	6,356
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	22,717	-	-	-
Community development	-	-	9,238	12,457
Transportation	-	-	-	-
Capital outlay	16,039	-	-	-
Total Expenditures	38,756	-	9,238	12,457
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	3	962	(6,101)
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Special Item	-	-	-	-
Net Change in Fund Balances	-	3	962	(6,101)
Fund Balances, Beginning of Year	-	940	21,083	46,495
Fund Balances, End of Year	\$ -	\$ 943	\$ 22,045	\$ 40,394

CITY OF BANNING

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

(CONTINUED)

	Special Revenue Funds			
	Animal Control Reserve	Police Volunteer	Ramsey/ Highland Home Signal	Wilson Median Improvement
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Use of money and property	18	3	285	1,339
Contributions	-	-	-	-
Miscellaneous	-	-	-	-
Total Revenues	18	3	285	1,339
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Community development	-	242	-	-
Transportation	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	-	242	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	18	(239)	285	1,339
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Special Item	-	-	-	-
Net Change in Fund Balances	18	(239)	285	1,339
Fund Balances, Beginning of Year	4,934	1,180	81,160	379,771
Fund Balances, End of Year	\$ 4,952	\$ 941	\$ 81,445	\$ 381,110

CITY OF BANNING

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

	Special Revenue Funds		Capital Projects Funds	
	Riverside County MOU	Banning Housing Authority	Police Facilities Development	Fire Facilities Development
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	500,515	-	-	-
Use of money and property	-	950	18	3,344
Contributions	-	-	-	-
Miscellaneous	-	20,250	-	-
Total Revenues	500,515	21,200	18	3,344
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	477,946	-	-	-
Community development	-	3,523	-	-
Transportation	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	477,946	3,523	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	22,569	17,677	18	3,344
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Special Item	-	(534,549)	-	-
Net Change in Fund Balances	22,569	(516,872)	18	3,344
Fund Balances, Beginning of Year	38,016	2,864,966	11,763	949,504
Fund Balances, End of Year	\$ 60,585	\$ 2,348,094	\$ 11,781	\$ 952,848

CITY OF BANNING

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

(CONTINUED)

	Capital Projects Funds			
	Traffic Control Facilities	General Facilities	Park Development	Capital Improvement
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Use of money and property	1,553	1,538	474	38
Contributions	-	-	-	-
Miscellaneous	-	-	-	-
Total Revenues	1,553	1,538	474	38
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Community development	-	-	-	-
Transportation	-	-	-	-
Capital outlay	-	-	2,575	-
Total Expenditures	-	-	2,575	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,553	1,538	(2,101)	38
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Special Item	-	-	-	-
Net Change in Fund Balances	1,553	1,538	(2,101)	38
Fund Balances, Beginning of Year	440,859	436,469	143,294	638,573
Fund Balances, End of Year	\$ 442,412	\$ 438,007	\$ 141,193	\$ 638,611

CITY OF BANNING

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

	Capital Projects Funds			Total Governmental Funds
	Sunset Grade Separation	BEA Low/Mod Capital Project Fund	BEA Capital Project Fund	
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ 663,920
Intergovernmental	-	-	-	1,596,612
Use of money and property	-	1,105	3,885	24,804
Contributions	-	-	-	11,924
Miscellaneous	-	-	-	25,880
Total Revenues	-	1,105	3,885	2,323,140
Expenditures:				
Current:				
General government	-	2	51,905	51,907
Public safety	-	-	-	500,663
Community development	-	-	-	25,460
Transportation	-	-	-	1,059,235
Capital outlay	-	-	-	707,417
Total Expenditures	-	2	51,905	2,344,682
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	1,103	(48,020)	(21,542)
Other Financing Sources (Uses):				
Transfers in	-	-	-	189,544
Transfers out	-	-	-	(13,303)
Total Other Financing Sources (Uses)	-	-	-	176,241
Special Item	-	534,549	8,801,033	8,801,033
Net Change in Fund Balances	-	535,652	8,753,013	8,955,732
Fund Balances, Beginning of Year	(2,049,825)	-	-	6,378,687
Fund Balances, End of Year	\$ (2,049,825)	\$ 535,652	\$ 8,753,013	\$ 15,334,419

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
GAS TAX STREET
YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 280,619	\$ 280,619	\$ 280,619	\$ -
Resources (Inflows):				
Intergovernmental	647,606	1,023,306	664,878	(358,428)
Use of money and property	900	900	1,049	149
Miscellaneous	1,500	1,500	1,142	(358)
Transfers in	164,325	245,055	164,325	(80,730)
Amounts Available for Appropriations	1,094,950	1,551,380	1,112,013	(439,367)
Charges to Appropriations (Outflow):				
Transportation	971,834	1,389,954	970,221	419,733
Capital outlay	-	26	-	26
Total Charges to Appropriations	971,834	1,389,980	970,221	419,759
Budgetary Fund Balance, June 30	\$ 123,116	\$ 161,400	\$ 141,792	\$ (19,608)

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
MEASURE A
YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 1,465,221	\$ 1,465,221	\$ 1,465,221	\$ -
Resources (Inflows):				
Taxes	535,000	535,000	527,726	(7,274)
Intergovernmental	182,000	182,000	-	(182,000)
Use of money and property	2,200	2,200	6,423	4,223
Transfers in	-	-	13,303	13,303
Amounts Available for Appropriations	2,184,421	2,184,421	2,012,673	(171,748)
Charges to Appropriations (Outflow):				
Transportation	75,000	117,480	-	117,480
Capital outlay	605,000	1,006,837	-	1,006,837
Total Charges to Appropriations	680,000	1,124,317	-	1,124,317
Budgetary Fund Balance, June 30	\$ 1,504,421	\$ 1,060,104	\$ 2,012,673	\$ 952,569

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
 SB 300 STREET
 YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 71,573	\$ 71,573	\$ 71,573	\$ -
Resources (Inflows):				
Use of money and property	200	200	236	36
Amounts Available for Appropriations	71,773	71,773	71,809	36
Budgetary Fund Balance, June 30	\$ 71,773	\$ 71,773	\$ 71,809	\$ 36

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
 ARTICLE 3 SIDEWALK
 YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 13,111	\$ 13,111	\$ 13,111	\$ -
Resources (Inflows):				
Use of money and property	25	25	192	167
Amounts Available for Appropriations	13,136	13,136	13,303	167
Charges to Appropriations (Outflow):				
Transfers out	-	-	13,303	(13,303)
Total Charges to Appropriations	-	-	13,303	(13,303)
Budgetary Fund Balance, June 30	\$ 13,136	\$ 13,136	\$ -	\$ (13,136)

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
 COMMUNITY DEVELOPMENT BLOCK GRANT
 YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ (11,915)	\$ (11,915)	\$ (11,915)	\$ -
Resources (Inflows):				
Intergovernmental	-	436,469	354,459	(82,010)
Transfers in	-	11,916	11,916	-
Amounts Available for Appropriations	(11,915)	436,470	354,460	(82,010)
Charges to Appropriations (Outflow):				
Capital outlay	-	436,469	388,185	48,284
Total Charges to Appropriations	-	436,469	388,185	48,284
Budgetary Fund Balance, June 30	\$ (11,915)	\$ 1	\$ (33,725)	\$ (33,726)

CITY OF BANNING

**BUDGETARY COMPARISON SCHEDULE
LANDSCAPE MAINTENANCE DISTRICT
YEAR ENDED JUNE 30, 2016**

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 271,629	\$ 271,629	\$ 271,629	\$ -
Resources (Inflows):				
Taxes	135,812	136,658	136,194	(464)
Use of money and property	350	350	993	643
Miscellaneous	121	121	-	(121)
Amounts Available for Appropriations	407,912	408,758	408,816	58
Charges to Appropriations (Outflow):				
Transportation	130,227	130,227	89,014	41,213
Total Charges to Appropriations	130,227	130,227	89,014	41,213
Budgetary Fund Balance, June 30	\$ 277,685	\$ 278,531	\$ 319,802	\$ 41,271

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
AQMD AIR POLLUTION PROGRAM
YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 276,750	\$ 276,750	\$ 276,750	\$ -
Resources (Inflows):				
Intergovernmental	30,000	60,000	38,491	(21,509)
Use of money and property	300	300	717	417
Amounts Available for Appropriations	307,050	337,050	315,958	(21,092)
Charges to Appropriations (Outflow):				
Community development	3,000	3,000	-	3,000
Capital outlay	-	300,620	300,618	2
Total Charges to Appropriations	3,000	303,620	300,618	3,002
Budgetary Fund Balance, June 30	\$ 304,050	\$ 33,430	\$ 15,340	\$ (18,090)

CITY OF BANNING

**BUDGETARY COMPARISON SCHEDULE
SUPPLEMENTAL LAW ENFORCEMENT
YEAR ENDED JUNE 30, 2016**

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1,	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Intergovernmental	-	200,132	38,269	(161,863)
Use of money and property	100	260	487	227
Amounts Available for Appropriations	100	200,392	38,756	(161,636)
Charges to Appropriations (Outflow):				
Public safety	-	86,104	22,717	63,387
Capital outlay	-	116,138	16,039	100,099
Total Charges to Appropriations	-	202,242	38,756	163,486
Budgetary Fund Balance, June 30	\$ 100	\$ (1,850)	\$ -	\$ 1,850

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
 SPECIAL DONATIONS
 YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 21,083	\$ 21,083	\$ 21,083	\$ -
Resources (Inflows):				
Contributions	5,000	8,700	10,200	1,500
Amounts Available for Appropriations	26,083	29,783	31,283	1,500
Charges to Appropriations (Outflow):				
Community development	5,000	8,705	9,238	(533)
Total Charges to Appropriations	5,000	8,705	9,238	(533)
Budgetary Fund Balance, June 30	\$ 21,083	\$ 21,078	\$ 22,045	\$ 967

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
SENIOR CENTER ACTIVITIES
YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 46,495	\$ 46,495	\$ 46,495	\$ -
Resources (Inflows):				
Use of money and property	100	100	144	44
Contributions	2,800	2,800	1,724	(1,076)
Miscellaneous	4,400	4,865	4,488	(377)
Amounts Available for Appropriations	53,795	54,260	52,851	(1,409)
Charges to Appropriations (Outflow):				
Community development	15,000	16,650	12,457	4,193
Total Charges to Appropriations	15,000	16,650	12,457	4,193
Budgetary Fund Balance, June 30	\$ 38,795	\$ 37,610	\$ 40,394	\$ 2,784

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
 ANIMAL CONTROL RESERVE
 YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 4,934	\$ 4,934	\$ 4,934	\$ -
Resources (Inflows):				
Use of money and property	-	5	18	13
Amounts Available for Appropriation	4,934	4,939	4,952	13
Budgetary Fund Balance, June 30	\$ 4,934	\$ 4,939	\$ 4,952	\$ 13

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
 POLICE VOLUNTEER
 YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 1,180	\$ 1,180	\$ 1,180	\$ -
Resources (Inflows):				
Use of money and property	-	5	3	(2)
Transfers in	1,500	1,500	-	(1,500)
Amounts Available for Appropriations	2,680	2,685	1,183	(1,502)
Charges to Appropriations (Outflow):				
Community development	1,500	2,681	242	2,439
Total Charges to Appropriations	1,500	2,681	242	2,439
Budgetary Fund Balance, June 30	\$ 1,180	\$ 4	\$ 941	\$ 937

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
 RAMSEY/HIGHLAND HOME SIGNAL
 YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 81,160	\$ 81,160	\$ 81,160	\$ -
Resources (Inflows):				
Use of money and property	150	150	285	135
Amounts Available for Appropriation	81,310	81,310	81,445	135
Budgetary Fund Balance, June 30	\$ 81,310	\$ 81,310	\$ 81,445	\$ 135

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
WILSON MEDIAN IMPROVEMENT
YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 379,771	\$ 379,771	\$ 379,771	\$ -
Resources (Inflows):				
Use of money and property	700	700	1,339	639
Amounts Available for Appropriation	380,471	380,471	381,110	639
Budgetary Fund Balance, June 30	\$ 380,471	\$ 380,471	\$ 381,110	\$ 639

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
 RIVERSIDE COUNTY MOU
 YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 38,016	\$ 38,016	\$ 38,016	\$ -
Resources (Inflows):				
Intergovernmental	497,000	500,515	500,515	-
Use of money and property	175	175	-	(175)
Transfers in	160,800	50,000	-	(50,000)
Amounts Available for Appropriations	695,991	588,706	538,531	(50,175)
Charges to Appropriations (Outflow):				
Public safety	684,560	521,021	477,946	43,075
Total Charges to Appropriations	684,560	521,021	477,946	43,075
Budgetary Fund Balance, June 30	\$ 11,431	\$ 67,685	\$ 60,585	\$ (7,100)

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
 BANNING HOUSING AUTHORITY
 YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$2,864,966	\$ 2,864,966	\$ 2,864,966	\$ -
Resources (Inflows):				
Use of money and property	950	950	950	-
Miscellaneous	-	305,425	20,250	(285,175)
Amounts Available for Appropriations	2,865,916	3,171,341	2,886,166	(285,175)
Charges to Appropriation (Outflow):				
Community development	-	3,523	3,523	-
Special Item	-	-	534,549	(534,549)
Total Charges to Appropriations	-	3,523	538,072	(534,549)
Budgetary Fund Balance, June 30	\$2,865,916	\$ 3,167,818	\$ 2,348,094	\$ (819,724)

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
POLICE FACILITIES DEVELOPMENT
YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 11,763	\$ 11,763	\$ 11,763	\$ -
Resources (Inflows):				
Use of money and property	50	50	18	(32)
Budgetary Fund Balance, June 30	\$ 11,813	\$ 11,813	\$ 11,781	\$ (32)

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
FIRE FACILITIES DEVELOPMENT
YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 949,504	\$ 949,504	\$ 949,504	\$ -
Resources (Inflows):				
Use of money and property	1,500	1,500	3,344	1,844
Amounts Available for Appropriation	951,004	951,004	952,848	1,844
Budgetary Fund Balance, June 30	\$ 951,004	\$ 951,004	\$ 952,848	\$ 1,844

CITY OF BANNING

**BUDGETARY COMPARISON SCHEDULE
 TRAFFIC CONTROL FACILITIES
 YEAR ENDED JUNE 30, 2016**

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 440,859	\$ 440,859	\$ 440,859	\$ -
Resources (Inflows):				
Use of money and property	750	750	1,553	803
Miscellaneous	250	250	-	(250)
Amounts Available for Appropriations	441,859	441,859	442,412	553
Charges to Appropriations (Outflow):				
Transportation	-	25,000	-	25,000
Capital outlay	-	20,000	-	20,000
Transfers out	-	80,730	-	80,730
Total Charges to Appropriations	-	125,730	-	125,730
Budgetary Fund Balance, June 30	\$ 441,859	\$ 316,129	\$ 442,412	\$ 126,283

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
 GENERAL FACILITIES
 YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 436,469	\$ 436,469	\$ 436,469	\$ -
Resources (Inflows):				
Use of money and property	800	800	1,538	738
Amounts Available for Appropriations	437,269	437,269	438,007	738
Charges to Appropriations (Outflow):				
Capital outlay	-	60,000	-	60,000
Total Charges to Appropriations	-	60,000	-	60,000
Budgetary Fund Balance, June 30	\$ 437,269	\$ 377,269	\$ 438,007	\$ 60,738

CITY OF BANNING

**BUDGETARY COMPARISON SCHEDULE
 PARK DEVELOPMENT
 YEAR ENDED JUNE 30, 2016**

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 143,294	\$ 143,294	\$ 143,294	\$ -
Resources (Inflows):				
Intergovernmental	-	39,300	-	(39,300)
Use of money and property	250	250	474	224
Miscellaneous	1,955	-	-	-
Amounts Available for Appropriations	145,499	182,844	143,768	(39,076)
Charges to Appropriations (Outflow):				
Capital outlay	-	3,375	2,575	800
Total Charges to Appropriations	-	3,375	2,575	800
Budgetary Fund Balance, June 30	\$ 145,499	\$ 179,469	\$ 141,193	\$ (38,276)

CITY OF BANNING

BUDGETARY COMPARISON SCHEDULE
CAPITAL IMPROVEMENT
YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 638,573	\$ 638,573	\$ 638,573	\$ -
Resources (Inflows):				
Use of money and property	300	300	38	(262)
Amounts Available for Appropriations	638,873	638,873	638,611	(262)
Charges to Appropriations (Outflow):				
Capital outlay	-	120,000	-	120,000
Total Charges to Appropriations	-	120,000	-	120,000
Budgetary Fund Balance, June 30	\$ 638,873	\$ 518,873	\$ 638,611	\$ 119,738

CITY OF BANNING

COMBINING STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUNDS
JUNE 30, 2016

	Business-Type Activities - Enterprise Funds			
	Airport	Transit	Refuse Utility	Totals
Assets:				
Current:				
Cash and investments	\$ 32,866	\$ 1,115,513	\$ 921,469	\$ 2,069,848
Receivables:				
Accounts	111,511	909	484,798	597,218
Notes and loans	-	2,912	-	2,912
Interest	34	1,688	1,292	3,014
Due from other funds	-	83,759	-	83,759
Inventories	11,826	-	-	11,826
Total Current Assets	156,237	1,204,781	1,407,559	2,768,577
Noncurrent:				
Capital assets - net of accumulated depreciation	2,982,714	374,687	-	3,357,401
Total Noncurrent Assets	2,982,714	374,687	-	3,357,401
Total Assets	3,138,951	1,579,468	1,407,559	6,125,978
Deferred Outflows of Resources:				
Pension related items	14,596	279,437	36,416	330,449
Total Deferred Outflows of Resources	14,596	279,437	36,416	330,449
Liabilities:				
Current:				
Accounts payable	14,738	5,589	233,770	254,097
Accrued liabilities	1,111	35,546	4,636	41,293
Unearned revenues	-	1,038,058	-	1,038,058
Deposits payable	22,222	-	95,512	117,734
Compensated absences	1,226	63,998	12,615	77,839
Total Current Liabilities	39,297	1,143,191	346,533	1,529,021
Noncurrent:				
Compensated absences	1,248	65,130	12,838	79,216
Net Pension Liability	85,880	1,556,572	208,651	1,851,103
Total Noncurrent Liabilities	87,128	1,621,702	221,489	1,930,319
Total Liabilities	126,425	2,764,893	568,022	3,459,340
Deferred Inflows of Resources:				
Pension related items	12,679	227,201	30,638	270,518
Total Deferred Inflows of Resources	12,679	227,201	30,638	270,518
Net Position:				
Investment in capital assets	2,982,714	374,687	-	3,357,401
Unrestricted	31,729	(1,507,876)	845,315	(630,832)
Total Net Position	\$ 3,014,443	\$ (1,133,189)	\$ 845,315	\$ 2,726,569

CITY OF BANNING

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
NONMAJOR PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2016

	Business-Type Activities - Enterprise Funds			
	Airport	Transit	Refuse Utility	Totals
Operating Revenues:				
Sales and service charges	\$ 136,789	\$ 138,753	\$ 3,364,634	\$ 3,640,176
Miscellaneous	-	49	8,250	8,299
Total Operating Revenues	136,789	138,802	3,372,884	3,648,475
Operating Expenses:				
Salaries and benefits	12,399	1,069,408	93,694	1,175,501
Supplies and services	91,338	589,965	2,979,170	3,660,473
Repairs and maintenance	3,369	3,791	-	7,160
Bad debt expense	-	-	9,721	9,721
Depreciation expense	206,578	220,909	-	427,487
Total Operating Expenses	313,684	1,884,073	3,082,585	5,280,342
Operating Income (Loss)	(176,895)	(1,745,271)	290,299	(1,631,867)
Nonoperating Revenues:				
Intergovernmental	121,349	1,774,316	40,336	1,936,001
Interest revenue and change in fair value of investments	163	1,902	3,164	5,229
Total Nonoperating Revenues (Expenses)	121,512	1,776,218	43,500	1,941,230
Income (Loss) Before Transfers	(55,383)	30,947	333,799	309,363
Transfers in	-	83,759	-	83,759
Transfers out	-	-	(55,000)	(55,000)
Changes in Net Position	(55,383)	114,706	278,799	338,122
Net Position:				
Beginning of Year	3,069,826	(1,247,895)	566,516	2,388,447
End of Fiscal Year	\$ 3,014,443	\$ (1,133,189)	\$ 845,315	\$ 2,726,569

CITY OF BANNING

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2016

	Business-Type Activities - Enterprise Funds			
	Airport	Transit	Refuse Utility	Totals
Cash Flows from Operating Activities:				
Cash received from customers and users	\$ 43,988	\$ 137,844	\$ 3,271,305	\$ 3,453,137
Cash received from/(paid to) interfund service provided	-	49	-	49
Cash paid to suppliers for goods and services	(93,074)	(674,026)	(2,997,086)	(3,764,186)
Cash paid to employees for services	(12,180)	(1,075,394)	(85,761)	(1,173,335)
Cash received from others	-	-	8,250	8,250
Net Cash Provided (Used) by Operating Activities	(61,266)	(1,611,527)	196,708	(1,476,085)
Cash Flows from Non-Capital Financing Activities:				
Cash transfers in	-	83,759	-	83,759
Cash transfers out	-	-	(55,000)	(55,000)
Intergovernmental	121,349	1,690,557	40,336	1,852,242
Net Cash Provided (Used) by Non-Capital Financing Activities	121,349	1,774,316	(14,664)	1,881,001
Cash Flows from Capital and Related Financing Activities:				
Acquisition and construction of capital assets	(124,377)	(304,569)	-	(428,946)
Net Cash Provided (Used) by Capital and Related Financing Activities	(124,377)	(304,569)	-	(428,946)
Cash Flows from Investing Activities:				
Issuance of notes and loans receivable	-	646	-	646
Interest received and change in fair value of investments	216	1,123	2,703	4,042
Net Cash Provided (Used) by Investing Activities	216	1,769	2,703	4,688
Net Increase (Decrease) in Cash and Cash Equivalents	(64,078)	(140,011)	184,747	(19,342)
Cash and Cash Equivalents at Beginning of Year	96,944	1,255,524	736,722	2,089,190
Cash and Cash Equivalents at End of Year	\$ 32,866	\$ 1,115,513	\$ 921,469	\$ 2,069,848
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ (176,895)	\$ (1,745,271)	\$ 290,299	\$ (1,631,867)
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:				
Depreciation	206,578	220,909	-	427,487
(Increase) decrease in accounts receivable	(92,175)	(909)	(85,800)	(178,884)
(Increase) decrease in inventories	4,597	-	-	4,597
Increase (decrease) in accounts payable	(3,760)	1,757	(20,915)	(22,918)
Increase (decrease) in accrued liabilities	796	5,776	2,999	9,571
Increase (decrease) in deposits payable	(626)	-	2,192	1,566
Increase (decrease) in unearned revenue	-	(87,803)	-	(87,803)
Increase (decrease) in employee salary/benefit obligations	(1,558)	(31,045)	(3,965)	(36,568)
Increase (decrease) in compensated absences	1,777	25,059	11,898	38,734
Total Adjustments	115,629	133,744	(93,591)	155,782
Net Cash Provided (Used) by Operating Activities	\$ (61,266)	\$ (1,611,527)	\$ 196,708	\$ (1,476,085)

CITY OF BANNING

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2016

	Governmental Activities				
	Self Insurance	Fleet Maintenance	Information Services	Utility Billing Services	Totals
Assets:					
Current:					
Pooled cash and investments	\$ 3,911,863	\$ 753,463	\$ 108,811	\$ 382,691	\$ 5,156,828
Receivables:					
Accounts	5,159	21,833	87	12,227	39,306
Interest	2,385	974	160	501	4,020
Due from other governments	29,509	122	-	-	29,631
Inventories	-	67,620	-	-	67,620
Total Current Assets	3,948,916	844,012	109,058	395,419	5,297,405
Noncurrent:					
Capital assets - net of accumulated depreciation	-	281,332	66,513	10,432	358,277
Total Noncurrent Assets	-	281,332	66,513	10,432	358,277
Total Assets	3,948,916	1,125,344	175,571	405,851	5,655,682
Deferred Outflows of Resources:					
Pension related outflows	69,185	96,482	87,239	348,764	601,670
Total Deferred Outflows of Resources	69,185	96,482	87,239	348,764	601,670
Liabilities and Net Position:					
Liabilities:					
Current:					
Accounts payable	99,637	109,731	2,400	21,236	233,004
Accrued liabilities	7,690	12,366	12,432	52,235	84,723
Compensated absences	10,855	18,083	17,488	65,947	112,373
Claims and judgments	324,458	-	-	-	324,458
Total Current Liabilities	442,640	140,180	32,320	139,418	754,558
Noncurrent:					
Net pension liability	431,302	572,395	513,276	1,994,830	3,511,803
Compensated absences	10,912	26,080	19,722	-	56,714
Claims and judgments	1,151,267	-	-	-	1,151,267
Total Noncurrent Liabilities	1,593,481	598,475	532,998	1,994,830	4,719,784
Total Liabilities	2,036,121	738,655	565,318	2,134,248	5,474,342
Deferred Inflows of Resources:					
Pension related items	64,405	84,652	75,783	292,817	517,657
Total Deferred Inflows of Resources	64,405	84,652	75,783	292,817	517,657
Net Position:					
Investment in capital assets	-	281,332	66,513	10,432	358,277
Unrestricted	1,917,575	117,187	(444,804)	(1,682,882)	(92,924)
Total Net Position	\$ 1,917,575	\$ 398,519	\$ (378,291)	\$ (1,672,450)	\$ 265,353

CITY OF BANNING

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2016

	Governmental Activities				
	Self Insurance	Fleet Maintenance	Information Services	Utility Billing Services	Totals
Operating Revenues:					
Sales and service charges	\$ 2,444,940	\$ 1,112,403	\$ 453,828	\$ 1,921,299	\$ 5,932,470
Miscellaneous	189,995	10,419	39	-	200,453
Total Operating Revenues	2,634,935	1,122,822	453,867	1,921,299	6,132,923
Operating Expenses:					
Salaries and benefits	207,164	363,856	274,872	1,261,095	2,106,987
Supplies and services	1,045,261	587,349	54,282	553,954	2,240,846
Repairs and maintenance	1,857	161,683	97,541	40,989	302,070
Cost of sales and services	-	-	-	826	826
Insurance premiums	865,398	-	-	-	865,398
Depreciation expense	-	11,389	35,826	6,259	53,474
Total Operating Expenses	2,119,680	1,124,277	462,521	1,863,123	5,569,601
Operating Income (Loss)	515,255	(1,455)	(8,654)	58,176	563,322
Nonoperating Revenues:					
Interest revenue and change in fair value	71,269	2,404	349	1,340	75,362
Total Nonoperating Revenues (Expenses)	71,269	2,404	349	1,340	75,362
Changes in Net Position	586,524	949	(8,305)	59,516	638,684
Net Position:					
Beginning of Year	1,331,051	397,570	(369,986)	(1,731,966)	(373,331)
End of Fiscal Year	\$ 1,917,575	\$ 398,519	\$ (378,291)	\$ (1,672,450)	\$ 265,353

CITY OF BANNING

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2016

	Governmental Activities				
	Self Insurance	Fleet Maintenance	Information Services	Utility Billing Services	Totals
Cash Flows from Operating Activities:					
Cash received from customers and users	\$ 2,439,781	\$ 1,098,403	\$ 454,034	\$ 1,923,536	\$ 5,915,754
Cash received from interfund service provided	231,339	10,383	39	-	241,761
Cash paid to suppliers for goods and services	(1,776,459)	(712,282)	(150,066)	(565,075)	(3,203,882)
Cash paid to employees for services	(209,446)	(367,680)	(280,581)	(1,297,821)	(2,155,528)
Net Cash Provided (Used) by Operating Activities	685,215	28,824	23,426	60,640	798,105
Cash Flows from Capital and Related Financing Activities:					
Acquisition and construction of capital assets	-	-	(47,567)	-	(47,567)
Net Cash Provided (Used) by Capital and Related Financing Activities	-	-	(47,567)	-	(47,567)
Cash Flows from Investing Activities:					
Interest received	70,389	2,267	345	1,236	74,237
Net Cash Provided (Used) by Investing Activities	70,389	2,267	345	1,236	74,237
Net Increase (Decrease) in Cash and Cash Equivalents	755,604	31,091	(23,796)	61,876	824,775
Cash and Cash Equivalents at Beginning of Year	3,156,259	722,372	132,607	320,815	4,332,053
Cash and Cash Equivalents at End of Year	\$ 3,911,863	\$ 753,463	\$ 108,811	\$ 382,691	\$ 5,156,828
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:					
Operating income (loss)	\$ 515,255	\$ (1,455)	\$ (8,654)	\$ 58,176	\$ 563,322
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:					
Depreciation	-	11,389	35,826	6,259	53,474
(Increase) decrease in accounts receivable	(5,159)	(14,000)	206	2,237	(16,716)
(Increase) decrease in due from other governments	41,344	(36)	-	-	41,308
(Increase) decrease in inventories	-	(6,552)	-	-	(6,552)
Increase (decrease) in accounts payable	(72,172)	40,198	(3,193)	10,416	(24,751)
Increase (decrease) in accrued liabilities	3,443	3,104	4,950	20,278	31,775
Increase (decrease) in employee salary/benefit obligations	(7,045)	(10,231)	(9,310)	(38,019)	(64,605)
Increase (decrease) in claims and judgments	204,786	-	-	-	204,786
Increase (decrease) in compensated absences	4,763	6,407	3,601	1,293	16,064
Total Adjustments	169,960	30,279	32,080	2,464	234,783
Net Cash Provided (Used) by Operating Activities	\$ 685,215	\$ 28,824	\$ 23,426	\$ 60,640	\$ 798,105

CITY OF BANNING

COMBINING STATEMENT OF ASSETS AND LIABILITIES
ALL AGENCY FUNDS
JUNE 30, 2016

	Sun Lake CFD 86-1	Special AD 91-1	Area Police Computer	Fair Oaks AD 2004-1	Cameo Homes	Totals
Assets:						
Pooled cash and investments	\$ 35,299	\$ 72,991	\$ 48,050	\$ 172,941	\$ 46,145	\$ 375,426
Receivables:						
Interest	50	87	64	181	65	447
Due from other governments	-	-	-	4,419	-	4,419
Restricted assets:						
Cash and investments with fiscal agents	-	-	-	223,096	-	223,096
Total Assets	\$ 35,349	\$ 73,078	\$ 48,114	\$ 400,637	\$ 46,210	\$ 603,388
Liabilities:						
Accounts payable	\$ -	\$ -	\$ 1,877	\$ 77	\$ -	\$ 1,954
Deposits payable	-	19,958	-	17,656	40,000	77,614
Due to bondholders	35,349	53,120	46,237	382,904	6,210	523,820
Total Liabilities	\$ 35,349	\$ 73,078	\$ 48,114	\$ 400,637	\$ 46,210	\$ 603,388

CITY OF BANNING

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 YEAR ENDED JUNE 30, 2016

	Balance 7/1/2015	Additions	Deductions	Balance 6/30/2016
<u>Sun Lake CFD 86-1</u>				
Assets:				
Pooled cash and investments	\$ 35,185	\$ 125	\$ 11	\$ 35,299
Receivables:				
Interest	40	50	40	50
Total Assets	\$ 35,225	\$ 175	\$ 51	\$ 35,349
Liabilities:				
Due to bondholders	\$ 35,225	\$ 175	\$ 51	\$ 35,349
Total Liabilities	\$ 35,225	\$ 175	\$ 51	\$ 35,349
<u>Special AD 91-1</u>				
Assets:				
Pooled cash and investments	\$ 50,445	\$ 22,562	\$ 16	\$ 72,991
Receivables:				
Interest	57	87	57	87
Due from other governments	7,100	-	7,100	-
Total Assets	\$ 57,602	\$ 22,649	\$ 7,173	\$ 73,078
Liabilities:				
Deposits payable	\$ 4,701	\$ 15,257	\$ -	\$ 19,958
Due to bondholders	52,901	22,649	22,430	53,120
Total Liabilities	\$ 57,602	\$ 37,906	\$ 22,430	\$ 73,078
<u>Area Police Computer</u>				
Assets:				
Pooled cash and investments	\$ 46,378	\$ 54,357	\$ 52,685	\$ 48,050
Receivables:				
Interest	64	64	64	64
Due from other governments	-	25,729	25,729	-
Total Assets	\$ 46,442	\$ 80,150	\$ 78,478	\$ 48,114
Liabilities:				
Accounts payable	\$ 30,452	\$ 13,504	\$ 42,079	\$ 1,877
Due to bondholders	15,990	66,646	36,399	46,237
Total Liabilities	\$ 46,442	\$ 80,150	\$ 78,478	\$ 48,114

CITY OF BANNING

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
YEAR ENDED JUNE 30, 2016

	Balance 7/1/2015	Additions	Deductions	Balance 6/30/2016
<u>Fair Oaks AD 2004-1</u>				
Assets:				
Pooled cash and investments	\$ 190,377	\$ 202,598	\$ 220,034	\$ 172,941
Receivables:				
Interest	154	181	154	181
Due from other governments	6,791	4,419	6,791	4,419
Restricted assets:				
Cash and investments with fiscal agents	223,069	35,115	35,088	223,096
Total Assets	\$ 420,391	\$ 242,313	\$ 262,067	\$ 400,637
Liabilities:				
Accounts payable	\$ 2,000	\$ 8,375	\$ 10,298	\$ 77
Deposits payable	32,656	-	15,000	17,656
Due to bondholders	385,735	233,938	236,769	382,904
Total Liabilities	\$ 420,391	\$ 242,313	\$ 262,067	\$ 400,637
<u>Cameo Homes</u>				
Assets:				
Pooled cash and investments	\$ 45,996	\$ 164	\$ 15	\$ 46,145
Receivables:				
Interest	52	65	52	65
Total Assets	\$ 46,048	\$ 229	\$ 67	\$ 46,210
Liabilities:				
Deposits payable	\$ 40,000	\$ -	\$ -	\$ 40,000
Due to bondholders	6,048	229	67	6,210
Total Liabilities	\$ 46,048	\$ 229	\$ 67	\$ 46,210
<u>Totals - All Agency Funds</u>				
Assets:				
Pooled cash and investments	\$ 368,381	\$ 279,806	\$ 272,761	\$ 375,426
Receivables:				
Interest	367	447	367	447
Due from other governments	13,891	30,148	39,620	4,419
Restricted assets:				
Cash and investments with fiscal agents	223,069	35,115	35,088	223,096
Total Assets	\$ 605,708	\$ 345,516	\$ 347,836	\$ 603,388
Liabilities:				
Accounts payable	\$ 32,452	\$ 21,879	\$ 52,377	\$ 1,954
Deposits payable	77,357	15,257	15,000	77,614
Due to bondholders	495,899	323,637	295,716	523,820
Total Liabilities	\$ 605,708	\$ 360,773	\$ 363,093	\$ 603,388

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