

**BANNING REDEVELOPMENT AGENCY
BANNING, CALIFORNIA**

FINANCIAL STATEMENTS

JUNE 30, 2008

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BANNING, CALIFORNIA

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities and each major fund of the Banning Redevelopment Agency, a component unit of the City of Banning, California as of and for the year ended June 30, 2008, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Banning Redevelopment Agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Banning Redevelopment Agency as of June 30, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States, we have also issued our report dated December 22, 2008, on our consideration of the Banning Redevelopment Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The computation of low and moderate income housing funds excess/surplus is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Lance, Soll & Lunghard, LLP

December 22, 2008

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited the financial statements of the governmental activities and each major fund of the Banning Redevelopment Agency as of and for the year ended June 30, 2008, which collectively comprise the Banning Redevelopment Agency's basic financial statements and have issued our report thereon dated December 22, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Banning Redevelopment Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Agency's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Agency's financial statements that is more than inconsequential will not be prevented or detected by the Agency's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Agency's internal control.

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



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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Agency are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Such provisions included those provisions of laws and regulations identified in the Guidelines for Compliance Audits of California Redevelopment Agencies, issued by the State Controller and as interpreted in the Suggested Auditing Procedures for Accomplishing Compliance Audits of California Redevelopment Agencies, issued by the Governmental Accounting and Auditing Committee of the California Society of Certified Public Accountants. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* issued by the Comptroller General of the United States and under the Guidelines for Compliance Audits of California Redevelopment Agencies, issued by the State Controller.

This report is intended for the information of the governing board, management and the State Controller. However, this report is a matter of public record and its distribution is not limited.

Lance, Soll & Lunghard, LLP

December 22, 2008

Management's Discussion and Analysis

As management of the Banning Redevelopment Agency, we offer readers of the Banning Redevelopment Agency's financial statements this narrative overview and analysis of the financial activities of the Banning Redevelopment Agency for the fiscal year ended June 30, 2008.

Financial Highlights

- The Agency's net assets increased by \$1,455,714 as a result of the governmental activities.
- As of the end of the current fiscal year, the Agency's governmental funds reported combined ending fund balances of \$37,461,446.
- The total general revenues were \$7,942,613.
- The total program expenses were \$6,486,899.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Banning Redevelopment Agency's basic financial statements. The Banning Redevelopment Agency's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Banning Redevelopment Agency's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Banning Redevelopment Agency's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Banning Redevelopment Agency is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of the Banning Redevelopment Agency that are principally supported by taxes and intergovernmental revenues (government activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Banning Redevelopment Agency include general government, community development, contributions to other governments and interest on long-term debt.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Banning Redevelopment Agency, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Banning Redevelopment Agency are governmental funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide statements, governmental fund financial statements focus on near-term and outflows of spendable resource, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Banning Redevelopment Agency maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the funds, all of which are considered to be major funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statement.

Government-wide Financial Analysis

Our analysis focuses on the net assets and changes in net assets of the Agency's governmental activities.

Banning Redevelopment Agency Net Assets (in Thousands)

	Governmental Activities	
	2008	2007
Current and other assets	\$ 53,674	\$ 53,246
Total assets	53,674	53,246
Long-term debt outstanding	46,945	47,606
Other liabilities	7,378	7,746
Total liabilities	54,323	55,352
Net assets:		
Invested in capital assets	8,218	1,178
Restricted	10,685	9,135
Unrestricted	(19,553)	(12,418)
Total net assets	\$ (650)	\$ (2,105)

The Agency's net assets increased \$1,455,714 to \$(649,673). This increase comes from the change in net assets as recorded in the Statement of Activities and flows through the Statement of Net Assets.

Government Activities. Governmental activities increased the Banning Redevelopment Agency's net assets by \$1,455,714. Key elements of the change are as follows:

**Banning Redevelopment Agency Changes in Net Assets
(in Thousands)**

	Governmental Activities	
	2008	2007
Revenues		
Program revenues:		
Charges for services	\$ -	\$ -
Operating contributions and grants	-	-
Capital contributions and grants	-	-
General revenues:		
Tax Increment	5,410	4,353
Intergovernmental	-	-
Investment income	2,533	1,275
Other	-	56
	<u>7,943</u>	<u>5,684</u>
Expenses		
General government	2,363	2,809
Community Development	2,027	1,658
Interest on long-term debt	2,087	1,174
Other	10	-
	<u>6,487</u>	<u>5,641</u>
Increase in net assets	<u>\$ (1,456)</u>	<u>\$ (43)</u>

The Agency's total revenues are \$7,942,613 while total expenses of all programs and services are \$6,486,899.

The following presents the cost of each of the Agency's programs—general government, community development and interest on long-term debt—as well as each program's *net* cost (total cost less revenues generated by the activities). The net cost is the financial burden that was placed on the Agency's taxpayers by each of these functions.

**Banning Redevelopment Agency Governmental Activities
(in Thousands)**

	<u>Total Cost of Services</u> <u>2008</u>	<u>Net Cost of Services</u> <u>2008</u>
General government	\$ 2,363	\$ (2,363)
Community development	2,027	(2,027)
Interest on long-term debt	2,087	(2,087)
Other	<u>10</u>	<u>(10)</u>
Totals	<u>\$ 6,487</u>	<u>\$ (6,487)</u>

- General Government and Community Development includes expenditures for capital outlay, funded by previous year's revenue and bond proceeds.
- The net cost of services indicates that the overall cost of government is more than the revenues generated to support it. The Agency is not recovering the cost of services with program revenues from user fees and other contributions. See the Statement of Activities for further detail on program revenues and general revenues.

Financial Analysis of the Agency's Funds

The Banning Redevelopment Agency uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Banning Redevelopment Agency's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Banning Redevelopment Agency's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Banning Redevelopment Agency's governmental funds reported combined ending fund balances of \$37,461,446.

Capital Outlay and Bond Administration

Capital Outlay. The Agency's five-year Capital Redevelopment Plan projects spending approximately \$22.3 million from fiscal year 2004-05 through fiscal year 2008-09. In 2003, debt was issued to fund approximately \$10.4 million. In May of 2007 additional debt was issued netting approximately \$25 million more for additional capital projects. The most significant projects include continued code enforcement within the project area, façade improvement programs, land purchases and infrastructure improvements, specifically street and road improvements. Also included in the above are affordable housing projects funded from the Redevelopment Agency Low and Moderate Housing Fund.

Long-term debt. At the end of the current fiscal year, the Banning Redevelopment Agency had total bonded debt outstanding for the Banning Redevelopment Agency and the Banning Financing Authority of \$47,340,000.

With relation to the 2003 issue, Standard & Poor's Corporation and Fitch Ratings assigned the tax allocation bonds a rating of "AA" upon their issuance.

With relation to the 2007 issue, Standard & Poor's Corporation and Fitch Ratings assigned the tax allocation bonds a rating of "AAA" upon their issuance

Contacting The Agency's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Agency's finances and to show the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Agency's Finance Department, at the Banning Redevelopment Agency, P.O. Box 998, Banning, CA 92220.

BANNING REDEVELOPMENT AGENCY**STATEMENT OF NET ASSETS
JUNE 30, 2008**

	<u>Governmental Activities</u>	
Assets:		
Cash and investments		\$ 15,536,739
Receivables:		
Tax increment	\$ 216,149	
Accounts	9,823	
Interest receivable	92,377	
Lease payments	<u>4,750,000</u>	
Total Receivables		5,068,349
Deferred charges		1,408,928
Restricted assets:		
Cash and investments with trustees		23,441,044
Capital assets (Net of Depreciation):		
Equipment	1,119,608	
Land and improvements	<u>7,098,940</u>	
Total Capital Assets		<u>8,218,548</u>
Total Assets		<u>53,673,608</u>
Liabilities:		
Accounts payable and accrued expenses		1,283,838
Unearned revenue		4,750,000
Due to other governments		1,300,000
Deposits from others		20,256
Other current liabilities		24,369
Long-term liabilities:		
Due within one year	709,860	
Due in more than one year	<u>46,234,958</u>	
Total Long-Term Liabilities		<u>46,944,818</u>
Total Liabilities		<u>54,323,281</u>
Net Assets:		
Invested in capital assets, net of related debt		8,218,548
Restricted for:		
Community development		2,931,805
Debt service		7,753,039
Unrestricted		<u>(19,553,065)</u>
Total Net Assets		<u>\$ (649,673)</u>

BANNING REDEVELOPMENT AGENCY

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenues and Changes in Net Assets Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Contributions and Grants</u>	
Functions/Programs				
Governmental Activities:				
General government	\$ 2,363,496	\$ -	\$ -	\$ (2,363,496)
Community development	2,026,414	-	-	(2,026,414)
Interest on long-term debt	2,087,654	-	-	(2,087,654)
Other	9,335	-	-	(9,335)
Total Governmental Activities	\$ 6,486,899	\$ -	\$ -	(6,486,899)
General Revenues:				
Taxes (net of pass-through payments)				5,410,084
Use of money and property				2,532,529
Total General Revenues				7,942,613
Change in Net Assets				1,455,714
Net Assets at Beginning of Year				(2,105,387)
Net Assets at End of Year				\$ (649,673)

BANNING REDEVELOPMENT AGENCY

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008**

	<u>Capital Projects</u>	<u>Capital Projects</u>	<u>Debt Service</u>	
	<u>Merged Downtown and Midway</u>	<u>Merged Downtown and Midway</u>	<u>Merged Downtown and Midway</u>	
	<u>Project</u>	<u>Low and Moderate Housing</u>	<u>Tax Increment</u>	<u>Total Governmental Funds</u>
Assets:				
Cash and investments	\$ 5,890,688	\$ 4,976,459	\$ 4,669,592	\$ 15,536,739
Cash and investments with trustee	19,288,913	-	4,152,131	23,441,044
Receivables:				
Tax increment	11,883	-	204,266	216,149
Accounts	9,823	-	-	9,823
Interest receivable	34,628	30,683	27,066	92,377
Lease payments	-	-	4,750,000	4,750,000
Total Assets	<u>\$ 25,235,935</u>	<u>\$ 5,007,142</u>	<u>\$ 13,803,055</u>	<u>\$ 44,046,132</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 485,675	\$ 4,370	\$ 16	\$ 490,061
Deposits from others	20,256	-	-	20,256
Due to City	-	-	1,300,000	1,300,000
Deferred revenue	-	-	4,750,000	4,750,000
Accrued liabilities	20,757	3,612	-	24,369
Total Liabilities	<u>526,688</u>	<u>7,982</u>	<u>6,050,016</u>	<u>6,584,686</u>
Fund Balances:				
Reserved:				
Encumbrances	1,450,151	136,558	-	1,586,709
Unreserved:				
Designated:				
Debt service	-	-	7,753,039	7,753,039
Continuing projects	23,224,096	-	-	23,224,096
Low and moderate housing	-	4,862,602	-	4,862,602
RBEG Grant Program	10,000	-	-	10,000
Total Fund Balances	<u>24,709,247</u>	<u>4,999,160</u>	<u>7,753,039</u>	<u>37,461,446</u>
Total Liabilities and Fund Balances	<u>\$ 25,235,935</u>	<u>\$ 5,007,142</u>	<u>\$ 13,803,055</u>	<u>\$ 44,046,132</u>

BANNING REDEVELOPMENT AGENCY

**GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008**

Fund balances of governmental funds **\$ 37,461,446**

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds 8,218,548

Bond issuance costs is an expenditure in the governmental funds, but it is deferred charges in the statement of net assets:

Unamortized debt issuance costs - amortized over life of new bonds 1,408,928

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds

Bonds payable (47,340,000)

Compensated absences (74,322)

Loans from City (382,345)

Unamortized net original issue discounts and (premiums) 851,849

Accrued interest payable for the current portion of interest due on Tax Allocation Bonds has not been reported in the governmental funds.

(793,777)

Net assets of governmental activities **\$ (649,673)**

BANNING REDEVELOPMENT AGENCY

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>Capital Projects</u>	<u>Capital Projects</u>	<u>Debt Service</u>	
	<u>Merged Downtown and Midway</u>	<u>Merged Downtown and Midway</u>	<u>Merged Downtown and Midway</u>	
		<u>Low and Moderate Housing</u>	<u>Tax Increment</u>	<u>Total Governmental Funds</u>
	<u>Project</u>			
Revenues:				
Taxes and assessments	\$ -	\$ 1,261,798	\$ 5,047,198	\$ 6,308,996
Use of money and property	1,551,614	166,185	814,730	2,532,529
Total Revenues	1,551,614	1,427,983	5,861,928	8,841,525
Expenditures:				
Current:				
General government	1,858,720	408,943	40,594	2,308,257
Community development	6,973,084	-	-	6,973,084
Capital outlay	2,126,374	-	-	2,126,374
Debt service	-	-	2,420,815	2,420,815
Other expenditures	9,335	-	-	9,335
Total Expenditures	10,967,513	408,943	2,461,409	13,837,865
Excess (Deficiency) of Revenues Over (Under) Expenditures	(9,415,899)	1,019,040	3,400,519	(4,996,340)
Other Financing Sources (Uses):				
Transfers in	2,065,670	-	193,183	2,258,853
Transfers out	-	(193,183)	(2,065,670)	(2,258,853)
Pass-through agreement payments	-	-	(898,912)	(898,912)
Total Other Financing Sources (Uses):	2,065,670	(193,183)	(2,771,399)	(898,912)
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(7,350,229)	825,857	629,120	(5,895,252)
Fund Balances:				
Beginning of Year	32,059,476	4,173,303	7,123,919	43,356,698
End of Year	\$ 24,709,247	\$ 4,999,160	\$ 7,753,039	\$ 37,461,446

BANNING REDEVELOPMENT AGENCY

**GOVERNMENTAL FUNDS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Net change in fund balances - total governmental funds **\$ (5,895,252)**

Amounts reported for governmental activities in the statement of activities differ because:

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 692,465

Unamortized premium or discounts on bonds issued are revenue or expenditures in the governmental funds, but these are spread to future periods over the life of the new bonds:
Amortization for current fiscal year (43,056)

Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is capitalized and allocated over their estimated useful lives through depreciation expense:
Capital outlay expenditures removed 7,073,044
Depreciation (32,725)

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:
Changes in compensated absences (22,514)
Current accrual of interest due on bonds (793,777)
Prior year accrual of interest due on bonds 477,529

Change in net assets of governmental activities **\$ 1,455,714**

BANNING REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

I. SIGNIFICANT ACCOUNTING POLICIES

Note 1: Organization and Summary of Significant Accounting Policies

a. Description of the Reporting Entity

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

Reporting Entity:

Primary Government:

City of Banning

Component Units:

Banning Redevelopment Agency
Banning Public Facilities Corporation
Banning Public Financing Authority

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

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

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

The City of Banning Financing Authority was formed by a joint exercise of powers agreement between the City of Banning (the City) and the Banning Redevelopment Agency. It was established November 12, 2003, under Article 1 (commencing with Section 6500) of the Joint Powers Law of the State of California for the purpose of providing an entity to assist in providing financing for the City and the Agency.

**Banning Redevelopment Agency
Notes to Financial Statements (Continued)**

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

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

The Agency office and records are located at City Hall, Banning, California, telephone (951) 922-3105.

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

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

b. Government-Wide and Fund Financial Statements

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

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

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

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

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

**Banning Redevelopment Agency
Notes to Financial Statements (Continued)**

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

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

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

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

The Agency reports the following major governmental funds:

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

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

Merged Downtown and Midway Project Area - Project Fund

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

Merged Downtown and Midway Project Area - Tax Increment Fund

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

d. Assets, Liabilities and Net Assets or Equity

1. Investments

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

2. Receivables and Payables

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

**Banning Redevelopment Agency
Notes to Financial Statements (Continued)**

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

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

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

Property tax revenue is recognized in the fiscal year for which the taxes have been levied providing they become available. Available means then due or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter (not to exceed 60 days) to be used to pay liabilities of the current period. The County of Riverside collects property taxes for the Agency. Tax liens attach annually as of 12:01 A.M. on the first day in January preceding the fiscal year for which the taxes are levied. The tax levy covers the fiscal period July 1 to June 30. All secured personal property taxes and one-half of the taxes on real property are due November 1 and the second installment is due March 1. All taxes are delinquent if unpaid on December 10 and April 10, respectively.

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

3. Capital Assets

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

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

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

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

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

**Banning Redevelopment Agency
Notes to Financial Statements (Continued)**

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

4. Long-Term Obligations

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

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

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

5. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

II. STEWARDSHIP

Note 2: Stewardship, Compliance and Accountability

Budgetary Data

General Budget Policies

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

**Banning Redevelopment Agency
Notes to Financial Statements (Continued)**

Note 4: Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 25,896	\$ 3,282,769	\$ -	\$ 3,308,665
Work in process	149,847	3,640,428	-	3,790,275
Total capital assets not being depreciated	<u>175,743</u>	<u>6,923,197</u>	<u>-</u>	<u>7,098,940</u>
Capital assets, being depreciated:				
Land improvements	253,062	149,847	-	402,909
Office furniture/equipment	22,640	-	-	22,640
Building and improvements	45,132	-	-	45,132
Machinery and equipment	5,737	-	-	5,737
Utility plant	193,588	-	-	193,588
Infrastructure	694,991	-	-	694,991
Total capital assets being depreciated	<u>1,215,150</u>	<u>149,847</u>	<u>-</u>	<u>1,364,997</u>
Less accumulated depreciation:				
Land improvements	163,620	15,303	-	178,923
Office furniture/equipment	11,660	3,928	-	15,588
Building and improvements	21,095	2,259	-	23,354
Machinery and equipment	1,243	1,148	-	2,391
Utility Plant	7,831	2,872	-	10,703
Infrastructure	7,215	7,215	-	14,430
Total accumulated depreciation:	<u>212,664</u>	<u>32,725</u>	<u>-</u>	<u>245,389</u>
Total capital assets being depreciated, net	<u>1,002,486</u>	<u>117,122</u>	<u>-</u>	<u>1,119,608</u>
Governmental activities capital assets, net	<u>\$ 1,178,229</u>	<u>\$ 7,040,319</u>	<u>\$ -</u>	<u>\$ 8,218,548</u>

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

Governmental Activities:	
General Government	<u>\$ 32,725</u>

**Banning Redevelopment Agency
Notes to Financial Statements (Continued)**

Note 5: Long-Term Debt

1997 Certificates of Participation

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

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

Pursuant to an Assignment Agreement dated as of March 1, 1997, between the Agency and the Trustee, the Agency will assign to the Trustee for the benefit of the owners of the Certificates, all of its right, title and interest in and to the Site Lease and the Lease Agreement. Pursuant to the Trust Agreement, the Trustee is to distribute lease payments received from the City as principal and interest represented by the Certificates. A reserve fund is established in the amount of \$522,615 from the Certificate proceeds for the benefit of the City and as security for the Certificate owners. The long-term lease receivable has been recorded as deferred revenue in the Debt Service Fund.

The Certificates maturing from 1997 to 2011, are serial certificates payable in annual installments of \$45,000 to \$305,000, while the Certificates maturing in 2020 are term certificates with sinking fund payments payable in annual installments of \$320,000 to \$495,000. Interest is payable semi-annually on each May 1 and November 1, commencing November 1, 1997, at rates ranging from 4.0% to 5.5% per annum. The outstanding principal balance at June 30, 2008, was \$4,750,000.

2003 Tax Allocation Bonds

On December 16, 2003, the Banning Public Financing Authority issued \$14,095,000 in Tax Allocation Bonds. The proceeds were used to currently refund the \$2,545,000 outstanding balance of the Agency's \$4,130,000 Series 1992 Tax Allocation Bonds and to finance various redevelopment activities.

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

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

**Banning Redevelopment Agency
Notes to Financial Statements (Continued)**

Note 5: Long-Term Debt (Continued)

A reserve fund is established in the amount of \$971,763 from the bond proceeds as security for the bond owners. The bonds are further secured by a financial guarantee insurance policy. The bonds are a special obligation of the Banning Redevelopment Agency payable from tax revenues. The amount of bonds outstanding at June 30, 2008, totaled \$12,625,000.

2007 Tax Allocation Bonds

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

The bonds consist of serial bonds maturing in the years 2009 to 2030 payable August 1 in annual installments of \$245,000 to \$1,805,000. The bonds bear interest at 4.0% to 4.25%. Bonds maturing after August 1, 2030, in the amount of \$9,500,000 are term bonds and bear interest at 4.375%.

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, 2008, totaled \$29,965,000.

City Loans

During the fiscal year 1993-1994 the City of Banning's Electric Utility Fund advanced funds to the Agency in order to assist in the implementation of the Owner Participation Agreement with Colescott, Inc. for the development of the Sunset Auto Plaza. As of June 30, 2008, the outstanding balance is \$382,345. There is no definite repayment date.

The following is a schedule of changes in long-term debt of the Agency for the fiscal year ended June 30, 2008:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008	Due Within One Year
<u>Merged Downtown and Midway</u>					
1997 Certificate of Participation	\$ 5,000,000	\$ -	\$ 250,000	\$ 4,750,000	\$ 265,000
2003 Tax Allocation Bonds	13,005,000	-	380,000	12,625,000	390,000
2007 Tax Allocation Bonds	29,965,000	-	-	29,965,000	-
City Loans	444,810	-	62,465	382,345	54,860
Compensated absences	51,808	22,514	-	74,322	-
Total	<u>\$ 18,501,618</u>	<u>\$ 22,514</u>	<u>\$ 692,465</u>	47,796,667	<u>\$ 709,860</u>
Less:					
Unamortized original issue discount				<u>851,849</u>	
Net Long-Term Debt				<u>\$ 46,944,818</u>	

**Banning Redevelopment Agency
Notes to Financial Statements (Continued)**

Note 5: Long-Term Debt (Continued)

Debt Service Requirements

The following schedule illustrates the debt service requirements to maturity for bonds outstanding as of June 30, 2008:

	1997 Refunding Certificates of Participation		2003 Tax Allocation Bonds		2007 Tax Allocation Parity Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2008 - 2009	\$ 265,000	\$ 250,720	\$ 390,000	\$ 575,801	\$ -	\$ 1,243,191	\$ 655,000	\$ 2,069,712
2009 - 2010	275,000	237,083	400,000	564,439	245,000	1,238,291	920,000	2,039,813
2010 - 2011	290,000	222,530	410,000	551,520	365,000	1,227,004	1,065,000	2,001,054
2011 - 2012	305,000	206,908	425,000	536,898	505,000	1,210,516	1,235,000	1,954,322
2012 - 2013	320,000	190,026	440,000	518,195	570,000	1,189,016	1,330,000	1,897,237
2013 - 2018	1,890,000	657,526	2,505,000	2,284,363	3,740,000	5,551,201	8,135,000	8,493,090
2018 - 2023	1,405,000	118,662	3,135,000	1,635,735	4,515,000	4,766,928	9,055,000	6,521,325
2023 - 2028	-	-	3,995,000	749,875	5,515,000	3,745,444	9,510,000	4,495,319
2028 - 2033	-	-	925,000	23,125	7,610,000	2,308,875	8,535,000	2,332,000
2033 - 2038	-	-	-	-	6,900,000	736,313	6,900,000	736,313
Totals	\$ 4,750,000	\$ 1,883,455	\$ 12,625,000	\$ 7,439,951	\$ 29,965,000	\$ 23,216,779	\$ 47,340,000	\$ 32,540,185

Mortgage Revenue Bonds

The Banning Redevelopment Agency had mortgage revenue bonds outstanding at June 30, 2008, in the amount of \$340,000.

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

Debt Service Requirements

As previously discussed, the Agency has pledged, as security for tax allocation bonds it has issued, either directly or through the Financing Authority, a portion of the tax increment revenue that it receives. These bonds were to provide financing for various capital projects and to defease previously issued bonds. The City has committed to appropriate each year, from these resources amounts sufficient to cover the principal and interest requirements on the debt. Total principal and interest remaining on the debt is \$73,246,830 with annual debt service requirements as indicated below. For the current year, the total tax increment revenue, net of pass through payments, recognized by the Agency was \$5,410,084 and the debt service obligation on the bonds was \$1,818,881.

IV. OTHER DISCLOSURES

Note 6: Interfund Transfers

Interfund transfers consisted of the following:

Funds	Transfers Out		Total
	Low and Moderate Housing	Tax Increment	
Transfers In:			
Capital Projects	\$ -	\$ 2,065,670	\$ 2,065,670
Tax Increment	193,183	-	193,183
Total	<u>\$ 193,183</u>	<u>\$ 2,065,670</u>	<u>\$ 2,258,853</u>

The transfer from the Low/Moderate Housing Fund to the Tax Increment Fund for \$193,183 was for a portion of the debt service proceeds payments.

The transfer from the Tax Increment Fund to the Capital Projects Fund for \$2,065,670 was to support project expenditures.

Note 7: Compensated Absences

The accompanying financial statements include an accrual for vacation, holiday, compensatory time and sick pay benefits due employees at June 30, 2008, in the amount of \$74,322.

Note 8: Pass-Through Agreements

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

Note 9: Risk Management

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

Note 10: Subsequent Events

ERAF Tax Increment Revenue Shift

On September 30, 2008, the California Legislature passed AB 1389, requiring a shift in tax increment revenues during fiscal year 2008-2009 to the state Educational Revenue Augmentation Fund (ERAF). It is estimated that the Agency's share of the ERAF shift for fiscal year 2008-2009 will amount to approximately \$392,038.

**Banning Redevelopment Agency
Notes to Financial Statements (Continued)**

Note 10: Subsequent Events (Continued)

Financial Concerns Relating to the California Economy

As indicated in the State of California's 2008-2009 Proposed Budget Summary – Economic Outlook:

“The California and national economies faced considerable headwinds - a deepening housing slump, a breakdown in mortgage markets, tighter credit, more volatile financial markets, and rising energy prices. Upward resets of subprime mortgage rates made payments unaffordable for many borrowers and helped push mortgage defaults and foreclosures to record levels. Several large financial institutions reported huge losses on subprime mortgages and securities backed by these mortgages. Uncertainty about how far the problems with these mortgages would spread increased financial market volatility and prompted lenders to tighten credit standards. The Federal Reserve injected liquidity into the financial markets and eased monetary policy on a number of occasions in the second half of the year, but as year-end neared, financial markets were still not functioning normally.”

While the values shown in the attached financial statements reflect those present at June 30, 2008, substantial changes have occurred in the economy in which the City and its component units operate. Therefore, the projection of the financial data for the City and its component units into future periods must recognize these factors and consider the effect of these on its operations and costs.

In September, 2008 certain financial institutions in the United States encountered difficulties, causing volatility in the financial markets. It is not possible to determine what effect the volatility of the financial markets could have on the fair value of this asset in future fiscal periods.

Land Purchases

The Agency purchased real property on August 25, 2008 and September 19, 2008, for \$600,000 and \$1,800,000, respectively.

BANNING REDEVELOPMENT AGENCY

COMBINING PROJECT AREA BALANCE SHEET

ALL GOVERNMENTAL FUNDS

JUNE 30, 2008

	Merged Downtown and Midway			TOTALS	
	Debt Service	Projects	Capital Projects	Debt Service Funds	Capital Projects Funds
	Tax Increment	Project	Low and Moderate Housing		
ASSETS					
Cash and investments	\$ 4,669,592	\$ 5,890,688	\$ 4,976,459	\$ 4,669,592	\$ 10,867,147
Cash and investments with trustee	4,152,131	19,288,913	-	4,152,131	19,288,913
Receivables:					
Tax increment	204,266	11,883	-	204,266	11,883
Accounts	-	9,823	-	-	9,823
Interest receivable	27,066	34,628	30,683	27,066	65,311
Lease payments	4,750,000	-	-	4,750,000	-
Total Assets	\$ 13,803,055	\$ 25,235,935	\$ 5,007,142	\$ 13,803,055	\$ 30,243,077
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 16	\$ 485,675	\$ 4,370	\$ 16	\$ 490,045
Deposits from others	-	20,256	-	-	20,256
Due to City	1,300,000	-	-	1,300,000	-
Unearned revenue	4,750,000	-	-	4,750,000	-
Accrued liabilities	-	20,757	3,612	-	24,369
Total Liabilities	6,050,016	526,688	7,982	6,050,016	534,670
Fund Balances:					
Reserved:					
Encumbrances	-	1,450,151	136,558	-	1,586,709
Unreserved:					
Designated:					
Debt service	7,753,039	-	-	7,753,039	-
Continuing projects	-	23,249,096	-	-	23,249,096
Low and moderate housing	-	-	4,862,602	-	4,862,602
RBEG Grant Program	-	10,000	-	-	10,000
Total Fund Balances	7,753,039	24,709,247	4,999,160	7,753,039	29,708,407
Total Liabilities and Fund Balances	\$ 13,803,055	\$ 25,235,935	\$ 5,007,142	\$ 13,803,055	\$ 30,243,077

BANNING REDEVELOPMENT AGENCY

**COMBINING PROJECT AREA STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Merged Downtown and Midway			TOTALS	
	Debt Service	Capital Projects	Capital Projects	Debt Service	Capital Projects
	Tax Increment	Project	Low and Moderate Housing	Funds	Funds
Revenues:					
Taxes and Assessments:					
Tax increment	\$ 5,047,198	\$ -	\$ 1,261,798	\$ 5,047,198	\$ 1,261,798
Use of Money and Property:					
Interest income	332,830	1,550,864	166,185	332,830	1,717,049
Lease income	481,900	750	-	481,900	750
Total Revenues	5,861,928	1,551,614	1,427,983	5,861,928	2,979,597
Expenditures:					
Current:					
General Government:					
Administrative costs	34,144	1,425,822	296,701	34,144	1,722,523
Professional services	6,450	432,898	112,242	6,450	545,140
Community Development:					
Real estate acquisitions	-	6,973,084	-	-	6,973,084
Capital Outlay:					
Project improvement costs	-	2,126,374	-	-	2,126,374
Debt Service:					
Debt issuance costs	-	-	-	-	-
Interest expense	1,728,350	-	-	1,728,350	-
Long-term debt repayments	692,465	-	-	692,465	-
Other Expenditures:					
Contributions to City	-	9,335	-	-	9,335
Total Expenditures	2,461,409	10,967,513	408,943	2,461,409	11,376,456
Excess of Revenues over (under) Expenditures	\$ 3,400,519	\$ (9,415,899)	\$ 1,019,040	\$ 3,400,519	\$ (8,396,859)
Other Financing Sources (Uses)					
Transfers in	\$ 193,183	\$ 2,065,670	\$ -	\$ 193,183	\$ 2,065,670
Transfers out	(2,065,670)	-	(193,183)	(2,065,670)	(193,183)
Pass through agreement payments	(898,912)	-	-	(898,912)	-
Total Other Financing Sources (Uses)	(2,771,399)	2,065,670	(193,183)	(2,771,399)	1,872,487
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	629,120	(7,350,229)	825,857	629,120	(6,524,372)
Fund Balances					
Beginning of Year	7,123,919	32,059,476	4,173,303	7,123,919	36,232,779
End of Year	\$ 7,753,039	\$ 24,709,247	\$ 4,999,160	\$ 7,753,039	\$ 29,708,407

BANNING REDEVELOPMENT AGENCY

**COMPUTATION OF LOW AND MODERATE
INCOME HOUSING FUNDS
EXCESS/SURPLUS**

	<u>Low and Moderate Housing Funds - All Project Areas July 1, 2007</u>	<u>Low and Moderate Housing Funds - All Project Areas July 1, 2008</u>
Opening Fund Balance	\$ 4,173,303	\$ 4,999,160
Less Unavailable Amounts:		
Unspent debt proceeds (Section 33334.12 (g)(3)(B))	<u>\$ (2,162,401)</u>	<u>\$ (2,067,355)</u>
	<u>(2,162,401)</u>	<u>(2,067,355)</u>
Available Low and Moderate Income Housing Funds	2,010,902	2,931,805
Limitation (greater of \$1,000,000 or four years set-aside)		
Set-Aside for last four years:		
2007 - 2008	-	1,261,798
2006 - 2007	1,027,753	1,027,753
2005 - 2006	815,863	815,863
2004 - 2005	502,511	502,511
2003 - 2004	<u>305,739</u>	<u>-</u>
Total	<u>\$ 2,651,866</u>	<u>\$ 3,607,925</u>
Base Limitation	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>
Greater amount	<u>2,651,866</u>	<u>3,607,925</u>
Computed Excess/Surplus	<u>None</u>	<u>None</u>