

CITY OF HIGHLAND REGULAR MEETING OF THE CITY COUNCIL AGENDA

REGULAR MEETING

November 22, 2016

6:00 p.m.

City Hall

Donahue Council Chambers

27215 Base Line

Highland, California

CITY COUNCIL MEMBERS

LARRY McCALLON, MAYOR

PENNY LILBURN, MAYOR PRO TEM

SAM J. RACADIO, COUNCIL MEMBER

JODY SCOTT, COUNCIL MEMBER

JOHN P. TIMMER, COUNCIL MEMBER

STAFF

Joseph A. Hughes - City Manager

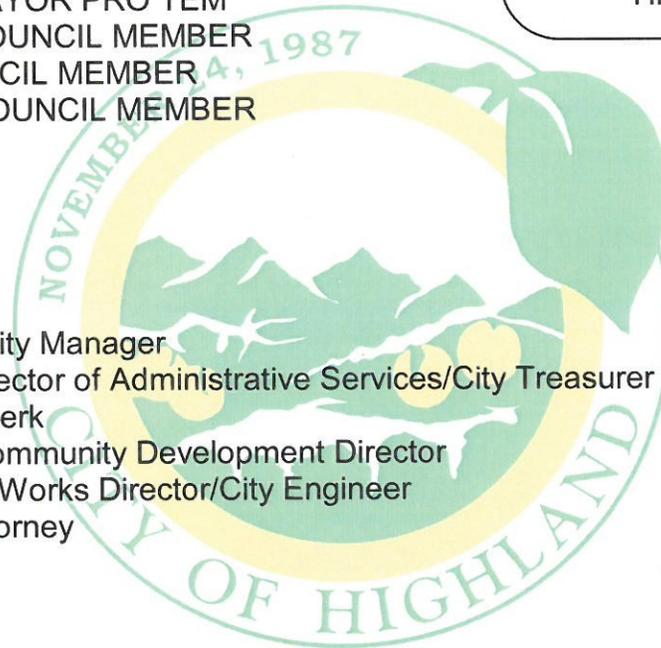
Chuck Dantuono - Director of Administrative Services/City Treasurer

Betty Hughes - City Clerk

Lawrence Mainez - Community Development Director

Ernest Wong - Public Works Director/City Engineer

Craig Steele - City Attorney



MISSION STATEMENT

Highland is dedicated to the betterment of the individual, the family, the neighborhood and the community. The City Council and the staff of Highland are dedicated to providing the quality of public facilities and services that its citizens are willing to fund and will do so as efficiently as possible.

Visit the City's Website at: www.cityofhighland.org

The City of Highland complies with the Americans with Disabilities Act of 1990. If you require special assistance to attend or participate in this meeting, please call the City Clerk's Department at (909) 864-6861, ext. 226, at least 48 hours prior to the meeting.

Pursuant to Government Code Section 54957.5, any disclosable public records related to an open session item on a regular meeting agenda and distributed by the City of Highland to all or a majority of the City Council less than 72 hours prior to that meeting are available for public inspection at City Hall, 27215 Base Line, Highland, CA 92346, during normal business hours.

**CITY COUNCIL REGULAR MEETING
NOVEMBER 22, 2016 - 6:00 p.m.**

AGENDA

CALL TO ORDER

INVOCATION

PLEDGE OF ALLEGIANCE

ROLL CALL

REPORT FROM CLOSED SESSION

SPECIAL PRESENTATIONS

PUBLIC COMMENT

Comments are limited to three minutes and are meant to be an opportunity to express one's views and not to debate issues. Complaints and problems relating to policy or personnel matters will be referred to the City Manager. Citizens desiring to address the Council are asked to give their name, address, phone number, and the subject on a speaker form and present it to the City Clerk. Speakers will be called upon by the Mayor at the appropriate time to speak.

CITY COUNCIL CONSENT CALENDAR

1. Waive the Reading of All Ordinances
RECOMMENDATION: Waive the reading of all Ordinances in their entirety and read by title only.
2. Minutes – November 8, 2016 City Council Regular Meeting
RECOMMENDATION: Approve the Minutes as submitted.
3. Warrant Register
RECOMMENDATION: Approve Warrant Register No. 635 for November 22, 2016, in the amount of \$2,878,616.18 and Payroll of \$75,168.73.
4. AB 1600 Development Impact Fee Annual Report for Fiscal Year 2015-2016 per Government Code Section 66006
RECOMMENDATION: The Finance/Personnel Subcommittee recommends that the City Council receive and file the AB 1600 Development Impact Fee Annual Report for Fiscal Year 2015-2016.
5. Developer In-Lieu Fee Annual Report for Fiscal Year 2015-2016
RECOMMENDATION: The Finance/Personnel Subcommittee recommends that the City Council receive and file the Developer In-Lieu Fee Annual Report for Fiscal Year 2015-2016.
6. Resolution No. 2016-_____ Establishing Employee Salaries
RECOMMENDATION: That the City Council approve Resolution No. 2016-_____ establishing employee salaries.
7. Resolution No 2016-_____ Amending Resolution No. 2006-022 Establishing Personnel System Rules
RECOMMENDATION: That the City Council approve Resolution No. 2016-_____ amending Resolution No. 2006-022 establishing personnel system rules.
8. Resolution No. 2016-_____ Amending the Agreement for Legal Services of the City Attorney (Richards, Watson & Gershon)
RECOMMENDATION: The Finance/Personnel Subcommittee recommends that the City Council approve Resolution No. 2016-_____ amending the agreement for legal services of the City Attorney (Richards, Watson & Gershon).

9. The Comprehensive Annual Financial Report (CAFR), the Single Audit Report on Federal Awards, the GAS (Internal Controls) Letter, the Gann Limit (Appropriations Limit) Letter and the SAS 114 (Audit Committee) Letter. All Reports are for Fiscal Year Ended June 30, 2016

RECOMMENDATION: The Finance/Personnel Subcommittee recommends that the City Council receive and file the Comprehensive Annual Financial Report (CAFR), the Single Audit Report on Federal Awards, the GAS (Internal Controls) letter, the Gann Limit (Appropriations Limit) letter and the SAS 114 (Audit Committee) letter. All Reports are for Fiscal Year ended June 30, 2016.

10. Easement Acceptance/Gary J. Edwards and Felicia M. Edwards (7467 Via Deldene)

RECOMMENDATION: That the City Council:

1. Accept the Grant of Easement for community trail and sidewalk purposes from Gary J. Edwards and Felicia M. Edwards; and
2. Direct the City Clerk to record the Grant of Easement.

CITY COUNCIL PUBLIC HEARING

The order of business for Public Hearings shall be:

- 1) Mayor opens Public Hearing;
- 2) Staff presentation;
- 3) Applicant/Representative presentation;
- 4) Speakers in favor of proposal;
- 5) Speakers in opposition to proposal;
- 6) Applicant rebuttal;
- 7) Mayor closes Public Hearing;
- 8) Council discussion, motion and vote.

ONCE THE PUBLIC HEARING IS CLOSED NO FURTHER TESTIMONY IS TAKEN.

No public hearing.

CITY COUNCIL LEGISLATIVE

11. Harmony Development Agreement Execution Extension to December 1, 2016
RECOMMENDATION: That the City Council extend the extension of the execution of the Harmony Development Agreement (as approved under Ordinance No. 410) to December 1, 2016.

12. November 6, 2018 General Municipal Election – Submitting a Referendum Measure to the Voters

RECOMMENDATION: That the City Council adopt Resolution No. 2016-_____ ordering that a Referendum Measure be submitted to the voters at the regular General Municipal Election to be held on November 6, 2018.

13. Proposed City of Highland Community Development Block Grant (CDBG) Applications for Fiscal Year 2017-2018
RECOMMENDATION: That the City Council:
1. Approve the City's application for Enhanced Code Enforcement that supports thirty percent (30%) of the salary and benefits of the Assistant Community Development Director position, seventy-five percent (75%) of a Code Compliance Officer position and forty percent (40%) of an Administrative Assistant position; and
 2. Approve the City's application to construct pavement rehabilitation on Fairfax Lane, Michael Drive, Court Street, Elm Street and Bertie Lane.
14. Bid Award – Bid No. 2016-04, "Traffic Striping and Pavement Marking"
RECOMMENDATION: That the City Council award Bid No. 2016-04, "Traffic Striping and Pavement Marking" to Safe USA, Inc.
15. Second Reading of Ordinance No. 412 Amending the Residential Rental Enhancement Program and Business License Regulations (MCA-16-002)
RECOMMENDATION: That the City Council conduct a second reading of Ordinance No. 412 amending Chapter 15.52 (Residential Rental Enhancement Program) of Title 15 (Building and Construction) of the City of Highland Municipal Code to include a provision for property owner self-certification along with other amendments designed to streamline the program process, and to amend Chapter 5.04 (Business License General) of Title 5 (Business Licenses and Regulations) of the Highland Municipal Code to include a revocation and appeals process for the residential rental properties (MCA-16-002).
16. Status of City Ordinances Regarding Marijuana Following Passage of Proposition 64 – The Control, Regulate and Tax Adult Use of Marijuana Act
RECOMMENDATION: That the City Council receive staff's verbal update on the City's ordinances regarding marijuana following the passage of Proposition 64 and provide comments and directives as appropriate.
17. Appoint One Member of the Public to the Building Code Appeals Board
RECOMMENDATION: That the City Council appoint one member of the public to the Building Code Appeals Board.
18. Appoint Three Members of the Public to the Historic and Cultural Preservation Board
RECOMMENDATION: That the City Council appoint three members of the public to the Historic and Cultural Preservation Board.
19. Code of Ethics
RECOMMENDATION: That the City Council review the current Code of Ethics and make any recommendations or changes, if needed.

20. Update on SANBAG, SCAG, Omnitrans, Work Program and Regional/Legislative Issues/Development Issues/Subcommittees/AB 1234 Updates
RECOMMENDATION: Discussion and possible action.
21. San Bernardino International Airport Authority and IVDA
RECOMMENDATION: Discussion and possible action.

ANNOUNCEMENTS

CLOSED SESSION

CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION

Significant exposure to litigation pursuant to Government Code Section 54956.9(d)(2) and/or (d)(3):

One case.

ADJOURN

Regular Meetings:

December 13; January 10, 24; February 14, 28; March 14, 28; April 11, 25; May 9, 23; June 13, 27; July (dark); August 8, 22; September 12, 26; October 10, 24; November 14, 28; December 12

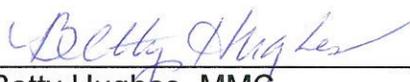
I, Betty Hughes, City Clerk, certify I caused to be posted this Agenda on or before November 17, 2016, by 5:30 p.m., on our website at www.cityofhighland.org and in the following designated areas:

Highland Branch Library
7863 Central Avenue

Fire Station No. 1
26974 Base Line

City Hall
27215 Base Line

Date: November 17, 2016



Betty Hughes, MMC
City Clerk



STAFF REPORT

TO THE CITY COUNCIL

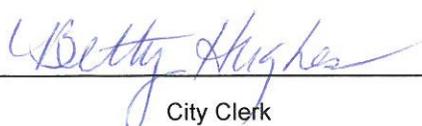
DATE: November 22, 2016

FROM: Joseph A. Hughes, City Manager

PREPARED BY: Betty Hughes, MMC, City Clerk

SUBJECT: Waive the Reading of All Ordinances

RECOMMENDATION: Waive the reading of all Ordinances in their entirety and read by title only.

Approved _____	Motion _____	Second _____	Agenda Item No. <u>1</u>
Denied _____	Ayes _____		
Continued _____	Noes _____		File No. _____
Tabled _____	Abstain _____		
	Absent _____		
 City Clerk		 City Manager	



STAFF REPORT

TO THE CITY COUNCIL

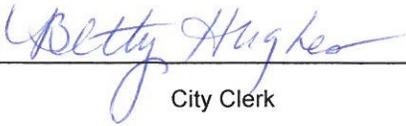
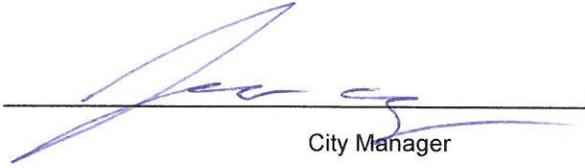
DATE: November 22, 2016

FROM: Joseph A. Hughes, City Manager

PREPARED BY: Betty Hughes, MMC, City Clerk

SUBJECT: Minutes – November 8, 2016 Regular Meeting

RECOMMENDATION: Approve the minutes as submitted.

Approved _____	Motion _____	Second _____	Agenda Item No. <u>2</u>
Denied _____	Ayes _____		
Continued _____	Noes _____		File No. _____
Tabled _____	Abstain _____		
	Absent _____		
 City Clerk		 City Manager	

**MINUTES
CITY COUNCIL REGULAR MEETING
NOVEMBER 8, 2016**

CALL TO ORDER

The regular meeting of the City Council of the City of Highland was called to order at 6:00 p.m. by Mayor McCallon at the Donahue Council Chambers, 27215 Base Line, Highland, California.

The invocation was given by Justin McWhorter, Immanuel Baptist Church, and the Pledge of Allegiance was led by Councilman Racadio.

ROLL CALL

Present: Lilburn, McCallon, Racadio, Scott, Timmer
Absent: None

REPORT FROM CLOSED SESSION

No meeting.

SPECIAL PRESENTATIONS

Mayor McCallon presented Brent Merideth with a proclamation for his service on the Community Trails Committee.

PUBLIC COMMENT

Mr. James Clayton spoke regarding his concerns for air quality and how subscribing to emails from AQMD can provide valuable information regarding the air quality.

CITY COUNCIL CONSENT CALENDAR

City Manager Hughes stated we have a modification to Item #5 regarding the resolution.

Mayor McCallon stated the modified resolution has been provided to Council.

A MOTION was made by Councilman Timmer, seconded by Mayor Pro Tem Lilburn, to approve the consent calendar as amended with the modification to the resolution for Item #5. Motion carried on a roll call vote, 5-0.

1. Waive the Reading of All Ordinances
Waived the reading of all Ordinances in their entirety and read by title only.
2. Minutes – October 25, 2016 City Council Regular Meeting
Approved the Minutes as submitted.
3. Warrant Register
Approved Warrant Register No. 634 for November 8, 2016, in the amount of \$2,080,926.47 and Payroll of \$76,600.71.
4. Proposed Sign Encroachment in Street Right-of-Way at 27727 Base Line (ARCO Gas Station)
Approved the proposed encroachment of a monument sign in street right-of-way at 27727 Base Line, subject to conditions of approval.
5. Application of CalRecycle Rubberized Pavement Program Grant Funds
Adopted Resolution No. 2016-059 authorizing submittal of regional applications for CalRecycle Rubberized Pavement Program grant funds.

RESOLUTION NO. 2016-059
RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HIGHLAND
AUTHORIZING SUBMITTAL OF REGIONAL APPLICATIONS FOR
CALRECYCLE RUBBERIZED PAVEMENT PROGRAM GRANT FUNDS

6. Professional Services Agreement with Hernandez, Kroone & Associates
Approved the Professional Services Agreement with Hernandez, Kroone & Associates for traffic engineering services and authorized the Mayor to sign the agreement.

CITY COUNCIL PUBLIC HEARING

7. Residential Rental Enhancement Program and Related Business License Regulation Amendments (Municipal Code Amendment MCA-16-002)

Mayor McCallon opened the public hearing.

Community Development Director Mainez gave a brief review of the staff report.

Mayor McCallon called for any speakers in favor of this item. Seeing none, Mayor McCallon called for speakers in opposition of this item.

Mr. Fred Yauger spoke in regards to his opposition of this item.

Mayor McCallon called for any other speakers in opposition of this item. Seeing none, the public hearing is now closed.

City Attorney Steele stated cities are immune from liability for enforcement cases so that is not a concern. We can add the 30-day return requirements to section 15.52.40 which is on page 3, which is the actual application requirement. We can make the application requirement within 30 days of the commencement of use as a rental or notification from the City, so we send those forms out they have to be returned within 30 days. We can insert that language in that section if that's the Council's pleasure. Right now the failure to get a license is enforceable so we'll just leave that the way it is, but with the 30-day requirement, get it within 30 days in this section on page 3.

A MOTION was made by Councilman Timmer, seconded by Councilman Racadio, to introduce Ordinance No. 412 amending Chapter 15.52 (Residential Rental Enhancement Program) of Title 15 (Building and Construction) of the City of Highland Municipal Code to include a provision for property owner self-certification along with other amendments designed to streamline the program process, and to amend Chapter 5.04 (Business License General) of Title 5 (Business Licenses and Regulations) of the Highland Municipal Code to include a revocation and appeals process for residential rental properties as amended. Motion carried, 4-1, with Councilman Scott dissenting.

City Clerk Hughes introduced Ordinance No. 412:

ORDINANCE NO. 412
AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF HIGHLAND,
CALIFORNIA, AMENDING CHAPTER 15.52 (RESIDENTIAL RENTAL
ENHANCEMENT PROGRAM) OF TITLE 15 (BUILDINGS AND
CONSTRUCTION) AND AMENDING CHAPTER 5.04 (BUSINESS LICENSES
GENERALLY) OF TITLE 5 (BUSINESS LICENSES AND REGULATIONS) OF
THE HIGHLAND MUNICIPAL CODE (MCA-16-002)

which title was read.

CITY COUNCIL LEGISLATIVE

8. Certification of Sufficiency of Referendum Petition Against Ordinance Number 409 and Ordinance Number 410; Direct Staff as to Further Actions

City Clerk Hughes gave a brief review of the staff report.

Ms. Joyce Schutten spoke in opposition of this item.

Mr. Fred Yauger spoke regarding his preference for a special election and his request for the cost of a special election.

Mr. John Meyer spoke in favor of this item.

A MOTION was made by Councilman Timmer, seconded by Councilman Racadio, to:

1. Receive and file the "Certificate of Sufficiency of Signatures on Referendum Petition" declaring the sufficiency of the referendum petitions protesting the adoption of Ordinance Number 409 and Ordinance Number 410;
 2. Submit the matter to the Voters at the next regular General Municipal Election which is November 6, 2018; and
 3. Directed staff to prepare the necessary documents to reflect the decision of the Council. Motion carried, 5-0.
9. Update on SANBAG, SCAG, Omnitrans, Work Program and Regional/Legislative Issues/Development Issues/Subcommittees/AB 1234 Updates

Mayor Pro Tem Lilburn provided a brief update on Omnitrans.

10. San Bernardino International Airport Authority and IVDA

None

ANNOUNCEMENTS

November 10 at 11:00 a.m.

Prime Time Choraliers
Performance at the Senior Center
Thanksgiving Dinner – Senior
Center

November 24

CLOSED SESSION

None

ADJOURN

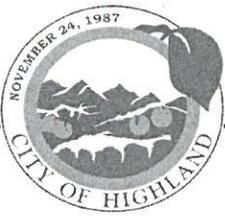
There being no further business, Mayor McCallon adjourned the meeting at 6:57 p.m. in memory of Tony Dalton, Jr.

Submitted By:

Approved By:

Betty Hughes, MMC
City Clerk

Larry McCallon
Mayor



STAFF REPORT

TO THE CITY COUNCIL

DATE: November 22, 2016

FROM: Joseph A. Hughes, City Manager

PREPARED BY: Chuck Dantuono, Director of Administrative Services/City Treasurer ⑩

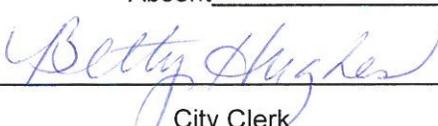
SUBJECT: Warrant Register #635

RECOMMENDATION: City Council to approve Warrant Register #635; Warrants in the amount of \$2,878,616.18 and Payroll in the amount of \$75,168.73.

FISCAL IMPACT: The total of Cash and Expenditures is \$2,953,784.91.

PUBLIC NOTICE: The agenda for this item was posted at the three required locations.

BACKGROUND: See Printouts Attached.

Approved _____	Motion _____	Second _____	Agenda Item No. <u>3</u>
Denied _____	Ayes _____		
Continued _____	Noes _____		File No. _____
Tabled _____	Abstain _____		
	Absent _____		
 _____ City Clerk		 _____ City Manager	

CITY OF HIGHLAND
WARRANT REGISTER #635

November 22, 2016

Warrants:

11/8/2016 Ck#73351-73371	1,413,512.71
11/10/2016 Wire#295-296 & Ck#73372-73382	48,631.07
11/15/2016 Ck#73383-73422	1,416,472.40
Total Warrants	<u>\$ 2,878,616.18</u>

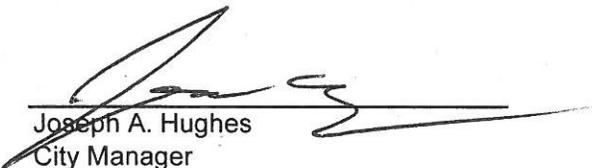
Payroll:

11/10/2016 Ck#319-320 & Direct Deposit #6108-6146	75,168.73
Total Payroll	<u>\$ 75,168.73</u>

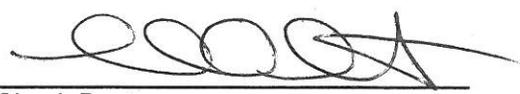
Total Warrants & Payroll \$ 2,953,784.91

APPROVED BY:

Sam Racadio
Finance Subcommittee


Joseph A. Hughes
City Manager

John Timmer
Finance Subcommittee


Chuck Dantuono
Director of Administrative
Services/City Treasurer

Voucher List
CITY OF HIGHLAND

Bank code : wfb

Voucher	Date	Vendor	Description/Account	Amount
73351	11/8/2016	000004	PUBLIC EMPLOYEE RETIREMENT SYS	
			PERS RETIREMENT-JULY	
			PERS RETIREMENT-JULY	
			001.6000.3560	669.00
			PERS RETIREMENT-JULY	
			001.6010.3560	581.00
			PERS RETIREMENT-JULY	
			001.6020.3560	160.00
			PERS RETIREMENT-JULY	
			004.8310.3560	2,500.00
			PERS RETIREMENT-JULY	
			006.8400.3560	814.00
			PERS RETIREMENT-JULY	
			012.8500.3560	349.00
			PERS RETIREMENT-JULY	
			016.8540.3560	349.00
			PERS RETIREMENT-JULY	
			023.3890.3560	131.00
			PERS RETIREMENT-JULY	
			041.9500.3560	204.00
			PERS RETIREMENT-JULY	
			042.9510.3560	494.00
			PERS RETIREMENT-JULY	
			070.7000.3560	262.00
			PERS RETIREMENT-JULY	
			010.3830.3560	669.00
			PERS RETIREMENT-JULY	
			089.8090.3560	378.00
			PERS RETIREMENT-JULY	
			001.1200.3560	1,076.00
			PERS RETIREMENT-JULY	
			001.1450.3560	2,241.39
			PERS RETIREMENT-JULY	
			001.1600.3560	145.00
			PERS RETIREMENT-JULY	
			001.1700.3560	2,413.00
			PERS RETIREMENT-JULY	

Voucher List
CITY OF HIGHLAND

11/07/2016 2:21:10PM

Bank code : wfb

Voucher	Date	Vendor	Description/Account	Amount
73351	11/8/2016	000004 PUBLIC EMPLOYEE RETIREMENT SYS	(Continued)	
			001.3200.3560	204.00
			PERS RETIREMENT-JULY	
			001.4100.3560	2,967.64
			PERS RETIREMENT-JULY	
			001.4200.3560	1,163.00
			PERS RETIREMENT-JULY	
			001.4600.3560	2,296.00
			Total :	20,066.03
73352	11/8/2016	000004 PUBLIC EMPLOYEE RETIREMENT SYS	PERS RETIREMENT-NOV	
			PERS RETIREMENT-NOV	
			001.1200.3560	1,076.00
			PERS RETIREMENT-NOV	
			001.1450.3560	2,241.39
			PERS RETIREMENT-NOV	
			001.1600.3560	145.00
			PERS RETIREMENT-NOV	
			001.1700.3560	2,413.00
			PERS RETIREMENT-NOV	
			001.3200.3560	204.00
			PERS RETIREMENT-NOV	
			001.4100.3560	2,967.64
			PERS RETIREMENT-NOV	
			001.4200.3560	1,163.00
			PERS RETIREMENT-NOV	
			001.4500.3560	901.00
			PERS RETIREMENT-NOV	
			001.4600.3560	1,395.00
			PERS RETIREMENT-NOV	
			001.6000.3560	669.00
			PERS RETIREMENT-NOV	
			001.6010.3560	581.00
			PERS RETIREMENT-NOV	
			001.6020.3560	160.00
			PERS RETIREMENT-NOV	
			004.8310.3560	2,500.00

Voucher List
CITY OF HIGHLAND

11/07/2016 2:21:10PM

Bank code : wfb

Voucher	Date	Vendor	Description/Account	Amount
73352	11/8/2016	000004 PUBLIC EMPLOYEE RETIREMENT SYS	(Continued)	
			PERS RETIREMENT-NOV	
			006.8400.3560	814.00
			PERS RETIREMENT-NOV	
			012.8500.3560	349.00
			PERS RETIREMENT-NOV	
			016.8540.3560	349.00
			PERS RETIREMENT-NOV	
			023.3890.3560	131.00
			PERS RETIREMENT-NOV	
			041.9500.3560	204.00
			PERS RETIREMENT-NOV	
			042.9510.3560	494.00
			PERS RETIREMENT-NOV	
			070.7000.3560	262.00
			PERS RETIREMENT-NOV	
			010.3830.3560	669.00
			PERS RETIREMENT-NOV	
			089.8090.3560	378.00
			Total :	20,066.03
73353	11/8/2016	000004 PUBLIC EMPLOYEE RETIREMENT SYS	PERS HEALTH-NOV	
			PERS HEALTH-NOV	
			001.1150	10,145.74
			PERS HEALTH-NOV	
			004.1150	2,790.16
			PERS HEALTH-NOV	
			006.1150	1,415.27
			PERS HEALTH-NOV	
			070.1150	246.82
			PERS HEALTH-NOV	
			010.1150	1,075.70
			PERS HEALTH-NOV	
			041.1150	298.56
			PERS HEALTH-NOV	
			042.1150	246.12
			PERS HEALTH-NOV	

Voucher List
CITY OF HIGHLAND

11/07/2016 2:21:10PM

Bank code : wfb

Voucher	Date	Vendor	Description/Account	Amount
73353	11/8/2016	000004	PUBLIC EMPLOYEE RETIREMENT SYS (Continued)	
			041.9500.3515	1,665.43
			PERS HEALTH-NOV	
			089.1150	288.46
			PERS HEALTH-NOV	
			012.1150	394.98
			PERS HEALTH-NOV	
			016.1150	394.98
			Total :	18,962.22
73354	11/8/2016	000085	EAST VALLEY WATER DISTRICT	
			SEELEY PARK-SEPT	
			SEELEY PARK-SEPT	
			016.8540.4030	408.99
			BASE LINE MEDIAN-SEPT	
			BASE LINE MEDIAN-SEPT	
			004.8310.4030	261.23
			STATION#3-SEPT	
			STATION#3-SEPT	
			029.2100.4030	167.53
			STATION#3-SEPT	
			STATION#3-SEPT	
			029.2100.4030	52.70
			STATION#2-SEPT	
			STATION#2-SEPT	
			029.2100.4030	35.14
			STATION#2-SEPT	
			STATION#2-SEPT	
			029.2100.4030	230.57
			AURANTIA PARK-SEPT	
			AURANTIA PARK-SEPT	
			001.6000.4030	1,833.89
			CITY HALL-SEPT	
			CITY HALL-SEPT	
			042.9510.4030	418.00
			BASE LINE MEDIAN-SEPT	
			BASE LINE MEDIAN-SEPT	
			004.8310.4030	41.71
			CITY HALL-SEPT	

Voucher List
CITY OF HIGHLAND

11/07/2016 2:21:10PM

Bank code : wfb

Voucher	Date	Vendor	Description/Account	Amount
73356	11/8/2016	000127 K & L HARDWARE	(Continued)	
			028.2050.4070	5.67
			STATION#1-SUPPLIES	
			029.2100.4070	5.66
			STATION#1-SUPPLIES CREDIT	
			STATION#1-SUPPLIES CREDIT	
			028.2050.4070	-5.67
			STATION#1-SUPPLIES CREDIT	
			029.2100.4070	-5.66
			STATION#3 SUPPLIES	
			STATION#3 SUPPLIES	
			028.2050.4070	8.64
			STATION#3 SUPPLIES	
			029.2100.4070	8.63
			STATION#3 SUPPLIES	
			STATION#3 SUPPLIES	
			028.2050.4070	2.88
			STATION#3 SUPPLIES	
			029.2100.4070	2.88
			Total :	39.54
73357	11/8/2016	000165 AT&T LOCAL	POLICE ALARM-OCT	
			POLICE ALARM-OCT	
			001.2000.4060	229.78
			CITY HALL-OCT	
			CITY HALL-OCT	
			042.9510.4060	111.82
			THOMPSON ASP-OCT	
			THOMPSON ASP-OCT	
			001.1450.4525	111.82
			BASE LINE LITTLE LEAGUE-OCT	
			BASE LINE LITTLE LEAGUE-OCT	
			001.6000.4060	111.82
			Total :	565.24
73358	11/8/2016	000203 SO CALIF EDISON CO	EDISON-OCT	
			POLICE STATION-OCT	
			001.2000.4010	3,575.74

Voucher List
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Voucher	Date	Vendor	Description/Account	Amount
73358	11/8/2016	000203 SO CALIF EDISON CO	(Continued)	
			CITY HALL-OCT	
			042.9510.4010	1,107.52
			LS#3-OCT	
			013.8510.4011	81.11
			BASE LINE MEDIAN-OCT	
			004.8310.4010	48.53
			CORP YARD-OCT	
			004.8310.4010	423.64
			STATION#3-OCT	
			029.2100.4010	546.65
			STATION#3-OCT	
			028.2050.4010	546.64
			LIBRARY/ELC-OCT	
			001.6000.4010	3,468.99
			Total :	9,798.82
73359	11/8/2016	000204 THE GAS COMPANY	FS#2 GAS-OCT	
			FS#2 GAS-OCT	
			028.2050.4020	21.98
			FS#2 GAS-OCT	
			029.2100.4020	21.97
			FS#3 GAS-OCT	
			FS#3 GAS-OCT	
			028.2050.4020	21.76
			FS#3 GAS-OCT	
			029.2100.4020	21.76
			POLICE GAS-OCT	
			POLICE GAS-OCT	
			001.2000.4020	1,129.46
			FS#1 GAS-OCT	
			FS#1 GAS-OCT	
			029.2100.4020	19.03
			FS#1 GAS-OCT	
			028.2050.4020	19.04
			Total :	1,255.00
73360	11/8/2016	000232 WALMART #1914	OFFICE SUPPLIES	

Voucher List
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Bank code : wfb

Voucher	Date	Vendor	Description/Account	Amount
73360	11/8/2016	000232 WALMART #1914	(Continued) OFFICE SUPPLIES 042.9510.4200 CORP YARD SUPPLIES CORP YARD SUPPLIES 004.8310.4055 UNIFORM-A.HALLOWAY UNIFORM-A.HALLOWAY 001.6010.4249	70.70 37.37 31.87 Total : 139.94
73361	11/8/2016	000447 JOE'S LAWNMOWER SUPPLIES, INC.	ME543 GENERATOR ME543 GENERATOR 029.2100.4245	49.61 Total : 49.61
73362	11/8/2016	000662 HI WAY SAFETY INC	K-RAIL AND CRASH CUSHION RENTAL K-RAIL AND CRASH CUSHION RENTAL 004.8310.4576	392.50 Total : 392.50
73363	11/8/2016	000744 D&T AUTO REPAIR	FORD WINDSTAR REPAIRS FORD WINDSTAR REPAIRS 042.9510.4240	483.82 Total : 483.82
73364	11/8/2016	000755 AT&T LONG DISTANCE	POLICE STATION FAX-OCT POLICE STATION FAX-OCT 001.2000.4060	25.03 Total : 25.03
73365	11/8/2016	000979 VERIZON CALIFORNIA	ALPR CARDS-OCT ALPR CARDS-OCT 001.2000.4061 WIRELESS INTERNET CARDS-OCT WIRELESS INTERNET CARDS-OCT 001.2000.4062	266.07 266.07 Total : 532.14

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Voucher	Date	Vendor	Description/Account	Amount
73366	11/8/2016	001072 AUTO ZONE	STATION#2 SUPPLIES STATION#2 SUPPLIES 028.2050.4240 STATION#2 SUPPLIES 029.2100.4240	15.95 15.95 Total : 31.90
73367	11/8/2016	001271 ALL STAR FIRE EQUIP, INC	FS#1: SCOTT SCBA FLOW TEST FS#1: SCOTT SCBA FLOW TEST 029.2100.4245	843.56 Total : 843.56
73368	11/8/2016	001476 TIME WARNER CABLE	TELEPHONE/INTERNET SERVICES-OCT TELEPHONE/INTERNET SERVICES-OCT 001.2000.4060	938.40 Total : 938.40
73369	11/8/2016	001653 FAILSAFE LADDER TESTING CO	FS#2: ANNUAL LADDER TESTING FS#2: ANNUAL LADDER TESTING 029.2100.4245	931.00 Total : 931.00
73370	11/8/2016	002209 AFFORDABLE AUTO SERVICE	FORD WINDSTAR REPAIRS FORD WINDSTAR REPAIRS 042.9510.4240	60.00 Total : 60.00
73371	11/8/2016	003360 DIRECTV LLC	SATELLITE CABLE-OCT SATELLITE CABLE-OCT 001.2000.4060	89.00 Total : 89.00
73372	11/8/2016	004654 DEPT OF INDUSTRIAL RELATIONS	ELEVATOR INSPECTION LIBRARY/ELC ELEVATOR INSPECTION LIBRARY/ELC 001.6000.4587	675.00 Total : 675.00
73373	11/8/2016	004697 CHEMCO PRODUCTS COMPANY	WATER TREATMENT MONTHLY CHARGE WATER TREATMENT MONTHLY CHARGE	

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Voucher	Date	Vendor	Description/Account	Amount
73373	11/8/2016	004697 CHEMCO PRODUCTS COMPANY	(Continued) 001.6000.4588	379.56
				Total : 379.56
73374	11/8/2016	004989 MULTIFORCE SYSTEMS CORP	FUEL TANK SOFTWARE MAINT. FUEL TANK SOFTWARE MAINT. 001.2000.4221	855.00
				Total : 855.00
73375	11/8/2016	005235 CITY OF LOMA LINDA	2016 THALMAN DINNER-RACADIO 2016 THALMAN DINNER-RACADIO 001.1000.4330	40.00
				Total : 40.00
73376	11/8/2016	005236 LALO'S TRANSPORT INC	TEREX TELEHANDLER-PUBLIC WORKS TEREX TELEHANDLER-PUBLIC WORKS 004.8310.4206	250.00
				Total : 250.00
73377	11/8/2016	005237 SHENKMAN & HUGHES P.C. CLIENT, TR	GARRETT V. HIGHLAND-SETTLEMENT GARRETT V. HIGHLAND-SETTLEMENT 001.1450.4370	1,325,000.00
				Total : 1,325,000.00
27 Vouchers for bank code : wfb				Bank total : 1,413,512.71
27 Vouchers in this report				Total vouchers : 1,413,512.71

Voucher List
CITY OF HIGHLAND

Bank code : wfb

Voucher	Date	Vendor	Description/Account	Amount
295	11/10/2016	000119	INTERNAL REVENUE SERVICE	
			FEDERAL TAXES: PAYMENT	
			MEDICARE: Payment	
			004.1140	316.08
			MEDICARE: Payment	
			006.1140	108.36
			MEDICARE: Payment	
			008.1140	10.06
			MEDICARE: Payment	
			010.1140	131.32
			MEDICARE: Payment	
			012.1140	33.28
			MEDICARE: Payment	
			016.1140	33.28
			MEDICARE: Payment	
			023.1140	26.12
			MEDICARE: Payment	
			041.1140	63.58
			MEDICARE: Payment	
			042.1140	57.62
			MEDICARE: Payment	
			070.1140	74.64
			MEDICARE: Payment	
			089.1140	81.92
			FEDERAL TAXES: Payment	
			070.1120	385.42
			FEDERAL TAXES: Payment	
			089.1120	428.71
			SOCIAL SECURITY: Payment	
			001.1140	577.08
			SOCIAL SECURITY: Payment	
			008.1140	43.02
			SOCIAL SECURITY: Payment	
			070.1140	27.30
			MEDICARE: Payment	
			001.1140	2,176.68
			FEDERAL TAXES: Payment	

Voucher List
CITY OF HIGHLAND

Bank code : wfb

Voucher	Date	Vendor	Description/Account	Amount
295	11/10/2016	000119	INTERNAL REVENUE SERVICE	
			(Continued)	
			001.1120	8,546.14
			FEDERAL TAXES: Payment	
			004.1120	1,262.66
			FEDERAL TAXES: Payment	
			006.1120	439.49
			FEDERAL TAXES: Payment	
			008.1120	18.89
			FEDERAL TAXES: Payment	
			010.1120	492.09
			FEDERAL TAXES: Payment	
			012.1120	103.90
			FEDERAL TAXES: Payment	
			016.1120	103.90
			FEDERAL TAXES: Payment	
			023.1120	86.32
			FEDERAL TAXES: Payment	
			041.1120	395.78
			FEDERAL TAXES: Payment	
			042.1120	288.37
			Total :	16,312.01
296	11/10/2016	000001	CALIF STATE EMPLOYMENT	
			STATE TAXES: PAYMENT	
			STATE TAXES: Payment	
			041.1130	140.36
			STATE TAXES: Payment	
			042.1130	84.62
			STATE TAXES: Payment	
			070.1130	129.24
			STATE TAXES: Payment	
			089.1130	146.59
			STATE TAXES: Payment	
			023.1130	17.31
			STATE TAXES: Payment	
			001.1130	2,676.76
			STATE TAXES: Payment	
			004.1130	421.08

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Voucher	Date	Vendor	Description/Account	Amount
296	11/10/2016	000001 CALIF STATE EMPLOYMENT	(Continued)	
			STATE TAXES: Payment	
			006.1130	109.79
			STATE TAXES: Payment	
			010.1130	169.01
			STATE TAXES: Payment	
			012.1130	26.83
			STATE TAXES: Payment	
			016.1130	26.83
			Total :	3,948.42
73378	11/10/2016	000003 ICMA RETIREMENT TRUST-457	ICMA DEFERRED COMP 457: PAYMENT	
			ICMA DEFERRED COMP 457: Payment	
			001.1170	10,399.95
			ICMA DEFERRED COMP 457: Payment	
			004.1170	548.08
			ICMA DEFERRED COMP 457: Payment	
			006.1170	82.51
			ICMA DEFERRED COMP 457: Payment	
			010.1170	501.92
			ICMA DEFERRED COMP 457: Payment	
			041.1170	253.58
			ICMA DEFERRED COMP 457: Payment	
			070.1170	135.50
			ICMA DEFERRED COMP 457: Payment	
			089.1170	202.62
			Total :	12,124.16
73379	11/10/2016	000004 PUBLIC EMPLOYEE RETIREMENT SYS	EPMC: PAYMENT	
			PERS SURVIVOR: Payment	
			006.1145	1.31
			PERS SURVIVOR: Payment	
			010.1145	1.06
			PERS SURVIVOR: Payment	
			012.1145	0.56
			PERS SURVIVOR: Payment	
			016.1145	0.56
			PERS SURVIVOR: Payment	

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Bank code : wfb

Voucher	Date	Vendor	Description/Account	Amount
73379	11/10/2016	000004	PUBLIC EMPLOYEE RETIREMENT SYS (Continued)	
			023.1145	0.42
			PERS SURVIVOR: Payment	
			041.1145	0.37
			PERS SURVIVOR: Payment	
			042.1145	0.77
			PERS SURVIVOR: Payment	
			070.1145	0.40
			PERS SURVIVOR: Payment	
			089.1145	0.60
			EPMC: Payment	
			001.1145	573.67
			EPMC: Payment	
			004.1145	93.56
			EPMC: Payment	
			006.1145	43.25
			EPMC: Payment	
			010.1145	46.02
			EPMC: Payment	
			012.1145	7.05
			EPMC: Payment	
			016.1145	7.05
			EPMC: Payment	
			023.1145	7.78
			EPMC: Payment	
			041.1145	23.75
			EPMC: Payment	
			042.1145	8.89
			EPMC: Payment	
			070.1145	25.26
			EPMC: Payment	
			089.1145	26.39
			PERS: Payment	
			001.1145	9,882.58
			PERS: Payment	
			004.1145	1,580.11
			PERS: Payment	

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Voucher	Date	Vendor	Description/Account	Amount
73379	11/10/2016	000004	PUBLIC EMPLOYEE RETIREMENT SYS (Continued)	
			006.1145	618.04
			PERS: Payment	
			010.1145	733.19
			PERS: Payment	
			012.1145	149.75
			PERS: Payment	
			016.1145	149.73
			PERS: Payment	
			023.1145	111.13
			PERS: Payment	
			041.1145	339.37
			PERS: Payment	
			042.1145	230.83
			PERS: Payment	
			070.1145	360.59
			PERS: Payment	
			089.1145	414.36
			PERS SURVIVOR: Payment	
			001.1145	21.55
			PERS SURVIVOR: Payment	
			004.1145	3.09
			Total :	15,463.04
73380	11/10/2016	000433	ARROWHEAD UNITED WAY	
			ARROWHEAD UNITED WAY: PAYMENT	
			ARROWHEAD UNITED WAY: Payment	
			001.1180	17.36
			ARROWHEAD UNITED WAY: Payment	
			004.1180	2.11
			ARROWHEAD UNITED WAY: Payment	
			010.1180	1.78
			ARROWHEAD UNITED WAY: Payment	
			041.1180	2.50
			ARROWHEAD UNITED WAY: Payment	
			070.1180	0.75
			ARROWHEAD UNITED WAY: Payment	
			089.1180	1.50

Voucher List
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Voucher	Date	Vendor	Description/Account	Amount
73380	11/10/2016	000433	000433 ARROWHEAD UNITED WAY (Continued)	Total : 26.00
73381	11/10/2016	003804	AFLAC WWHQ	
			AFLAC ACCIDENT INSURANCE: PAYMENT	
			AFLAC DENTAL: Payment	
			004.1181	23.82
			AFLAC DENTAL: Payment	
			041.1181	1.65
			AFLAC DENTAL: Payment	
			042.1181	2.80
			AFLAC DENTAL: Payment	
			070.1181	0.55
			AFLAC DENTAL: Payment	
			089.1181	1.67
			AFLAC SPECIFIED HEALTH INS: Payment	
			001.1181	22.44
			AFLAC ACCIDENT INSURANCE: Payment	
			001.1181	141.38
			AFLAC ACCIDENT INSURANCE: Payment	
			006.1181	11.18
			AFLAC ACCIDENT INSURANCE: Payment	
			012.1181	4.61
			AFLAC ACCIDENT INSURANCE: Payment	
			016.1181	4.61
			AFLAC ACCIDENT INSURANCE: Payment	
			023.1181	10.45
			AFLAC CANCER INSURANCE: Payment	
			001.1181	95.73
			AFLAC CANCER INSURANCE: Payment	
			006.1181	23.89
			AFLAC CANCER INSURANCE: Payment	
			012.1181	4.45
			AFLAC CANCER INSURANCE: Payment	
			016.1181	4.45
			AFLAC CANCER INSURANCE: Payment	
			089.1181	3.17
			AFLAC DISABILITY INSURANCE: Payment	
			001.1181	130.02

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Bank code : wfb

Voucher	Date	Vendor	Description/Account	Amount	
73381	11/10/2016	003804 AFLAC WWHQ	(Continued)		
			AFLAC DISABILITY INSURANCE: Payment 089.1181	7.10	
			AFLAC HOSPITAL INSURANCE: Payment 001.1181	129.62	
			AFLAC HOSPITAL INSURANCE: Payment 006.1181	36.86	
			AFLAC HOSPITAL INSURANCE: Payment 012.1181	8.94	
			AFLAC HOSPITAL INSURANCE: Payment 016.1181	8.94	
			AFLAC HOSPITAL INSURANCE: Payment 089.1181	2.66	
			AFLAC LIFE INSURANCE: Payment 001.1181	6.05	
			AFLAC LIFE INSURANCE: Payment 089.1181	0.67	
			AFLAC DENTAL: Payment 001.1181	19.73	
			Total :	707.44	
73382	11/10/2016	004556 STATE OF CALIFORNIA	STATE TAX GARNISHMENT: PAYMENT		
			STATE TAX GARNISHMENT: Payment 001.1180	45.00	
			STATE TAX GARNISHMENT: Payment 089.1180	5.00	
			Total :	50.00	
7 Vouchers for bank code : wfb				Bank total :	48,631.07
7 Vouchers in this report				Total vouchers :	48,631.07

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Voucher	Date	Vendor	Description/Account	Amount
73383	11/15/2016	000011 ADVANCE TELECO USA INC	TELEPHONE INSTALL-POLICE STATION TELEPHONE INSTALL-POLICE STATION 001.2000.4060	294.40 Total : 294.40
73384	11/15/2016	000014 ALL CITY MANAGEMENT SERVICES	CROSSING GUARD SERVICES CROSSING GUARD SERVICES 002.8200.4530	1,804.64 Total : 1,804.64
73385	11/15/2016	000030 SB CO SHERIFFS DEPT	VEH MAINTENANCE 07/16-09/16 VEH MAINTENANCE 07/16-09/16 001.2000.4240 CELL PHONES 07/16-09/16 CELL PHONES 07/16-09/16 001.2000.4060 O/T & ON-CALL 07/16-09/16 O/T & ON-CALL 07/16-09/16 001.2000.4560 2014 JAG O/T 07/16-09/16 2014 JAG O/T 07/16-09/16 026.8480.4560 2014 NON JAG O/T 07/16-09/16 2014 NON JAG O/T 07/16-09/16 001.2000.4560 ADD'L O/T 07/16-09/16 ADD'L O/T 07/16-09/16 001.2000.4560 SPECIAL EVENT O/T 07/16-09/19 SPECIAL EVENT O/T 07/16-09/19 001.2000.4560 PERSONNEL CREDITS 07/16-09/16 PERSONNEL CREDITS 07/16-09/16 001.2000.4560	7,590.44 99.66 72,533.93 6,024.94 4,060.32 10,808.00 812.56 -15,404.80 Total : 86,525.05
73386	11/15/2016	000127 K & L HARDWARE	POLICE SUPPLIES	

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Voucher	Date	Vendor	Description/Account	Amount
73386	11/15/2016	000127 K & L HARDWARE	(Continued) POLICE SUPPLIES 001.2000.4070	6.47
Total :				6.47
73387	11/15/2016	000175 THE PRESS ENTERPRISE	BID NOTICES SIG14001 BID NOTICES SIG14001 001.1200.4300 BID NOTICES STR14001 - OLA09004 BID NOTICES STR14001 - OLA09004 001.1200.4300	285.60
Total :				285.60
73388	11/15/2016	000203 SO CALIF EDISON CO	EDISON-OCT SIGNALS-OCT 013.8510.4011 HIGHLAND AVE ALPR-OCT 012.8500.4010 SIGNALS-OCT 013.8510.4011 OAK CREEK PARK-OCT 016.8540.4010 LS#3-OCT 013.8510.4011 LS#1-OCT 013.8510.4011 LS2-B-OCT 012.8500.4010 STATION#1-OCT 028.2050.4010 STATION#1-OCT 029.2100.4010 UPLIGHTING LMD48-OCT 013.8510.4011 LMD#48C-OCT 012.8500.4010 LMD#48B-OCT 012.8500.4010	122.08 25.71 131.90 25.83 37.15 294.02 8.50 230.97 230.97 43.87 236.81 25.84

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Bank code : wfb

Voucher	Date	Vendor	Description/Account	Amount
73388	11/15/2016	000203 SO CALIF EDISON CO	(Continued) HIGHLAND AVE ALPR-OCT 012.8500.4010 LS#2-OCT 013.8510.4011 LS#3-OCT 012.8500.4010 LMD#55-OCT 012.8500.4010 LS#3-OCT 012.8500.4010 LS#1-OCT 013.8510.4011 STATION#2-OCT 028.2050.4010 STATION#2-OCT 029.2100.4010 SIGNALS-OCT 004.8310.4580	23.67 459.32 36.49 25.95 891.49 39,916.68 516.61 516.60 2,573.01 Total : 46,373.47
73389	11/15/2016	000207 KONICA MINOLTA BUSINESS	COPIERS LEASE-SEPT COPIERS LEASE-SEPT 001.2000.4205 COPIERS LEASE-SEPT 042.9510.4205	552.04 1,073.36 Total : 1,625.40
73390	11/15/2016	000207 KONICA MINOLTA BUSINESS	COPIERS LEASE-OCT COPIERS LEASE-OCT 001.2000.4205 COPIERS LEASE-OCT 042.9510.4205	552.04 1,073.36 Total : 1,625.40
73391	11/15/2016	000207 KONICA MINOLTA BUSINESS	COPIER MAINT-SEPT COPIER MAINT-SEPT 001.2000.4205	15.61

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Voucher	Date	Vendor	Description/Account	Amount
73391	11/15/2016	000207 KONICA MINOLTA BUSINESS	(Continued) COPIER MAINT-SEPT 042.9510.4205	1,143.07
				Total : 1,158.68
73392	11/15/2016	000207 KONICA MINOLTA BUSINESS	COPIER MAINT-OCT COPIER MAINT-OCT 001.2000.4205 COPIER MAINT-OCT 042.9510.4205	26.49
				Total : 1,130.83
73393	11/15/2016	000208 STAPLES CREDIT PLAN	STAPLES FS#1: OFFICE SUPPLIES & VARIOUS TONERS 028.2050.4200 OFFICE SUPPLIES 042.9510.4208 LINKSYS AC SMART 042.9510.4208 OFFICE SUPPLIES 001.4200.4200 OFFICE SUPPLIES 028.2050.4200 OFFICE SUPPLIES 029.2100.4200 CREDIT-FIRE DEPARTMENT 028.2050.4200 CREDIT-FIRE DEPARTMENT 029.2100.4200 CREDIT-FIRE DEPARTMENT 028.2050.4200 CREDIT-FIRE DEPARTMENT 029.2100.4200 FS#1: OFFICE SUPPLIES & VARIOUS TONERS 029.2100.4200	268.97 92.85 161.99 110.61 135.44 135.43 -7.01 -7.01 -7.01 -7.01 -7.01 268.97
				Total : 1,146.22
73394	11/15/2016	000211 STRADLING YOCCA CARLSON RAUTH	GENERAL-SEPT	

Voucher List
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Voucher	Date	Vendor	Description/Account	Amount
73394	11/15/2016	000211	STRADLING YOCCA CARLSON RAUTH (Continued) GENERAL-SEPT 001.4600.4520	2,472.80
Total :				2,472.80
73395	11/15/2016	000226	UNUM LIFE INSURANCE UNUM-OCT UNUM-OCT 001.1180 UNUM-OCT 004.1180 UNUM-OCT 006.1180 UNUM-OCT 070.1180 UNUM-OCT 010.1180 UNUM-OCT 041.1180 UNUM-OCT 089.1180 UNUM-OCT 012.1180 UNUM-OCT 016.1180	606.30 37.00 46.74 31.08 37.00 25.16 30.65 7.14 7.14
Total :				828.21
73396	11/15/2016	000237	WILLDAN ASSOCIATES BUILDING AND SAFETY SERVICES-SEPT BUILDING AND SAFETY SERVICES-SEPT 001.4500.4540 FIRE PLAN REVIEW-SEPT FIRE PLAN REVIEW-SEPT 001.4500.4540	42,890.00 3,550.00
Total :				46,440.00
73397	11/15/2016	000342	EMPLOYMENT DEVELOPMENT DEPT UNEMPLOYMENT INS-USHER 07/16-09/16 UNEMPLOYMENT INS-USHER 07/16-09/16 041.9500.4360	132.00

Voucher List
CITY OF HIGHLAND

11/15/2016 4:39:38PM

Bank code : wfb

Voucher	Date	Vendor	Description/Account	Amount
73397	11/15/2016	000342	000342 EMPLOYMENT DEVELOPMENT DEP (Continued)	Total : 132.00
73398	11/15/2016	000824	J & M TROPHIES AND AWARDS SERVICE AWARD- J.SCOTT SERVICE AWARD- J.SCOTT 001.1000.4200	194.40 Total : 194.40
73399	11/15/2016	001035	CALIF STATE DEPT OF JUSTICE FINGERPRINT APPS FINGERPRINT APPS-LILBURN 001.1700.4236 FINGERPRINT APPS-GATES 001.1600.4236	49.00 32.00 Total : 81.00
73400	11/15/2016	001320	HIGHLAND SENIOR CENTER MONTHLY REIMB-OCT MONTHLY REIMB-OCT 006.8400.4348	2,000.00 Total : 2,000.00
73401	11/15/2016	001350	GUERRA, LEE UNIFORM REIMB-GUERRA UNIFORM REIMB-GUERRA 001.2000.4561	296.03 Total : 296.03
73402	11/15/2016	001414	RICHARDS, WATSON & GERSHON GENERAL-SEPT GENERAL-SEPT 001.1450.4520 CODE ENFORCEMENT-SEPT CODE ENFORCEMENT-SEPT 001.4600.4520 PERSONNEL & LABOR-SEPT PERSONNEL & LABOR-SEPT 001.1450.4520 HARMONY PROJECT-SEPT HARMONY PROJECT-SEPT 001.4100.4554 ADV. GARRETT-SEPT ADV. GARRETT-SEPT 001.1450.4520	10,368.00 1,240.00 2,121.00 5,290.60 1,595.68

Voucher List
CITY OF HIGHLAND

11/15/2016 4:39:38PM

Bank code : wfb

Voucher	Date	Vendor	Description/Account	Amount
73407	11/15/2016	002511 002511 SB CO RECORDER-CLERK	(Continued)	Total : 448.00
73408	11/15/2016	002710 HERNANDEZ, KROONE & ASSOCIATES	TRAFF SIGNAL REVIEW BOULDER/GREENSPOT TRAFF SIGNAL REVIEW BOULDER/GREENSPOT 001.3200.4551	Total : 371.25 371.25
73409	11/15/2016	003133 STEWART, NANCY	MILEAGE REIMB-STEWART MILEAGE REIMB-STEWART 001.1200.4332	Total : 38.61 38.61
73410	11/15/2016	003369 CD PROPERTY SERVICES	SECURE PROPERTY-26429 CYPRESS SECURE PROPERTY-26429 CYPRESS 001.4600.4557 SECURE PROPERTY-7137 DEL ROSE SECURE PROPERTY-7137 DEL ROSE 001.4600.4557	175.00 Total : 375.00 550.00
73411	11/15/2016	003401 ULINE	RECYCLE CONTAINERS FOR CYPRESS ELEMENTAR RECYCLE CONTAINERS FOR CYPRESS 001.4200.4202	Total : 3,692.26 3,692.26
73412	11/15/2016	004172 STATISTICAL RESEARCH INC.	STORM DRAINS GIS-RDA04 STORM DRAINS GIS-RDA04 010.3830.4550	810.00 Total : 810.00
73413	11/15/2016	004815 ALABBASI	STR07002 PAY EST#4-SLPP STR07002 PAY EST#4-SLPP 027.8490.6530 STR07002 PAY EST#4-DIF STR07002 PAY EST#4-DIF 007.8330.6530 STR07002 PAY EST#4-RDA07 STR07002 PAY EST#4-RDA07 010.3830.6530	465,856.96 465,856.96 131,075.05

Voucher List
CITY OF HIGHLAND

11/15/2016 4:39:38PM

Bank code : wfb

Voucher	Date	Vendor	Description/Account	Amount
73413	11/15/2016	004815 ALABBASI	(Continued) STR07002 PAY EST#4-ART3 STR07002 PAY EST#4-ART3 005.8320.6530	63,285.40
				Total : 1,126,074.37
73414	11/15/2016	005018 FLYERS ENERGY, LLC	FUEL-OCT FUEL-OCT 001.2000.4220 FUEL-OCT 004.8310.4220 FUEL-OCT 001.4200.4220 FUEL-OCT 001.4500.4220 FUEL-OCT 001.4600.4220 FUEL-OCT 001.6000.4220 FUEL-OCT 001.6010.4220 FUEL-OCT 042.9510.4220 FUEL-OCT 004.8310.4220 FUEL-OCT 001.6000.4220 FUEL-OCT 028.2050.4220 FUEL-OCT 029.2100.4220	5,157.84 348.40 31.62 23.56 270.29 237.43 119.03 11.16 21.23 88.12 749.31 749.31
				Total : 7,807.30
73415	11/15/2016	005046 INLAND EMPIRE BIKING ALLIANCE	ATP CYCLE 3 GRANT APPLICATION ATP CYCLE 3 GRANT APPLICATION 001.3200.4582	350.00
				Total : 350.00

Voucher List
CITY OF HIGHLAND

11/15/2016 4:39:38PM

Bank code : wfb

Voucher	Date	Vendor	Description/Account	Amount
73416	11/15/2016	005089 OMNI-MEANS	ROUNDAABOUT FEASIBILITY STUDY-HIGHLAND ROUNDAABOUT FEASIBILITY STUDY-HIGHLAND 001.3200.4582	5,000.00 Total : 5,000.00
73417	11/15/2016	005182 MURCHISON & CUMMING	CLAIMS-GIBSON CLAIMS-GIBSON 041.9500.4390 CLAIMS-GIBSON CLAIMS-GIBSON 041.9500.4390 CLAIMS-GIBSON CLAIMS-GIBSON 041.9500.4390	111.00 638.85 Total : 1,637.85
73418	11/15/2016	005238 CALIFORNIA MUNICIPAL STATISTIC	DIRECT & OVERLAPPING DEBT STATEMENT DIRECT & OVERLAPPING DEBT STATEMENT 001.1700.4510	475.00 Total : 475.00
73419	11/15/2016	005239 AI PING YU	STR 07-0002 ROW - RDA07 STR 07-0002 ROW - RDA07 010.3830.6811	5,360.00 Total : 5,360.00
73420	11/15/2016	005240 STANDARD CHAIR OF GARDNER	ENGRAVED CHAIR-RACADIO ENGRAVED CHAIR-RACADIO 001.1000.4200	432.00 Total : 432.00
73421	11/15/2016	005241 MARZULLO, EMIL	VARIANCE APP-VAR 14-001 REFUND OF REMAINING VARIANCE APP 001.4100.4450	1,866.94 Total : 1,866.94
73422	11/15/2016	005243 SEVERO ARANA GONZALEZ	REIMB BP#20140027- OVER PAYMENT REIMB BP#20140027- OVER PAYMENT 001.1450.7610	845.00

Voucher List
CITY OF HIGHLAND

11/15/2016 4:39:38PM

Bank code : wfb

<u>Voucher</u>	<u>Date</u>	<u>Vendor</u>	<u>Description/Account</u>	<u>Amount</u>
73422	11/15/2016	005243	005243 SEVERO ARANA GONZALEZ (Continued)	Total : 845.00
40 Vouchers for bank code : wfb				Bank total : 1,416,472.40
40 Vouchers in this report				Total vouchers : 1,416,472.40



STAFF REPORT

TO THE CITY COUNCIL

DATE: November 22, 2016

FROM: Joseph A. Hughes, City Manager

PREPARED BY: Chuck Dantuono, Director of Administrative Services/City Treasurer *CD*

SUBJECT: AB 1600 Development Impact Fee Annual Report for Fiscal Year 2015-2016 per Government Code Section 66006.

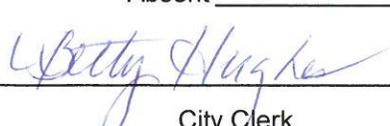
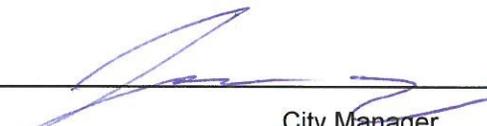
RECOMMENDATION: The Finance Subcommittee recommends that the City Council receive and file the AB 1600 Development Impact Fee Annual Report for Fiscal Year 2015-2016.

FISCAL IMPACT: The Fund Balance as of June 30, 2016 on all accounts is \$3,761,815.13.

PUBLIC NOTICE: The agenda for this item was posted at the three required locations.

BACKGROUND: Collection of Development Impact Fees began after Ordinance No. 45 and Resolution No. 88-46 was approved on November 8, 1988. Government Code Section 66006 (b)(1) requires that the City make available to the public within 180 days of the close of each fiscal year an accounting of all the activity that has occurred within the accounts that the City set up by way of Resolution No. 88-46.

This item was reviewed by the Finance Subcommittee on November 10, 2016 and recommends that this item be approved by the City Council.

Approved _____	Motion _____	Second _____	Agenda Item No. <u>4</u>
Denied _____	Ayes _____		
Continued _____	Noes _____		File No. _____
Tabled _____	Abstain _____		
	Absent _____		
 City Clerk		 City Manager	

**AB 1600 Development Impact Fees Annual Report
Government Code Section 66006
For June 30, 2016**

Project #	Title	Balance 7/1/2015	Transfers	Revenues	Interest	Expenditures	Balance 6/30/2016
9700	Law Enforcement Facilities & Equipment	340,704.27	-	225.92	1,133.76	-	342,063.95
9701	Fire Facilities & Equipment	239,121.05	-	842.99	798.00	-	240,762.04
9702	General Facilities	73,925.34	-	1,248.21	243.00	2,148.75 c	73,267.80
9703	Parks & Recreation Facilities	(237,868.62)	-	3,608.37	-	-	(234,260.25)
9711	Library Facilities	31,160.32	-	889.69	106.00	-	32,156.01
9712	Local Circulation	1,257,313.34	-	5,390.92	4,197.00	182.75 b	1,266,718.51
9713	Regional Flood	260,963.96	-	930.76	871.00	-	262,765.72
9714	Public Use Facilities	796,270.05	-	1,108.68	2,651.00	-	800,029.73
9715	Regional Ciculation-Del Rosa	160,380.23	-	522.80	535.00	-	161,438.03
9716	Regional Ciculation-Base Line	362,905.10	-	1,193.72	1,210.00	-	365,308.82
9717	Regional Ciculation-Fifth Street	356,947.30	-	1,173.40	1,191.00	-	359,311.70
9718	Regional Ciculation-Arterials	181,842.43	-	11,632.23	306.00	101,527.59 a	92,253.07
		<u>3,823,664.77</u>	-	<u>28,767.69</u>	<u>13,241.76</u>	<u>103,859.09</u>	<u>3,761,815.13</u>

Summary of expenditures:

a Project STR 07-002 5th Street Storm Drain	101,527.59
b Project BRG 2004-04A Boulder Avenue Bridge	182.75
c DIF update study	2,148.75
	<u>103,859.09</u>



STAFF REPORT

TO THE CITY COUNCIL

DATE: November 22, 2016

FROM: Joseph A. Hughes, City Manager

PREPARED BY: Chuck Dantuono, Director of Administrative Services/City Treasurer *CD*

SUBJECT: Developer in-lieu Fee Annual Report for Fiscal Year 2015-2016.

RECOMMENDATION: The Finance Subcommittee recommends that the City Council receive and file the Developer in-lieu Fee Annual Report for Fiscal Year 2015-2016.

FISCAL IMPACT: The Fund Balance as of June 30, 2016 on all accounts is \$3,072,541.26.

PUBLIC NOTICE: The agenda for this item was posted at the three required locations.

BACKGROUND: The developer in-lieu fee fund is used to hold funds paid by developers for projects the city will construct at a later time. For example, the city may accept in-lieu fees by several developers to construct a signal when needed in the future. It is more cost effective to have the developers pay the in-lieu fee to the city then to have each developer construct a portion of the signal as their project is finished.

This item was reviewed by the Finance Subcommittee on November 10, 2016 and recommends that this item be approved by the City Council.

Approved _____	Motion _____	Second _____	Agenda Item No. <u>5</u>
Denied _____	Ayes _____		
Continued _____	Noes _____		File No. _____
Tabled _____	Abstain _____		
	Absent _____		
<i>Betty Hughes</i> _____ City Clerk		<i>[Signature]</i> _____ City Manager	

**Developer In Lieu Fee Annual Report
For June 30, 2016**

Project #	Title	Balance 7/1/2015	Revenues	Interest	Expenditures	Transfers	Balance 6/30/2016
9543	Microfilm	128,486.98	7,211.40	511.00	8,856.92 a	-	127,352.46
9640	Streets	222,631.26	12,696.20	931.00	4,047.17 b	-	232,211.29
9647	Trees	56,033.95	-	226.00	-	-	56,259.95
9648	Signals	1,518,762.68	-	6,113.00	472.38 c	-	1,524,403.30
9650	Bledsoe Creek	5,200.96	-	21.00	-	-	5,221.96
9651	Medians	158,088.61	-	636.00	-	-	158,724.61
9653	Underground Utilities	395,296.66	-	1,592.00	-	-	396,888.66
9720	Inclusionary Housing	569,187.03	-	2,292.00	-	-	571,479.03
		3,053,688.13	19,907.60	12,322.00	13,376.47	-	3,072,541.26

Summary of expenditures:

a Entering documents into laserfische.	8,856.92
b Project SWK 12-001 Church St (Base Line & Greenspot)	4,047.17
c Project SIG 13-001 Base Line & Greenspot	472.38
	<u>13,376.47</u>



STAFF REPORT

TO THE CITY COUNCIL

DATE: November 22, 2016

FROM: Joseph A. Hughes, City Manager

PREPARED BY: Chuck Dantuono, Director of Administrative Services/City Treasurer 

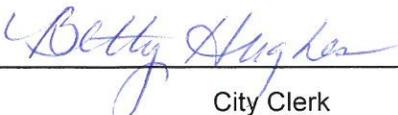
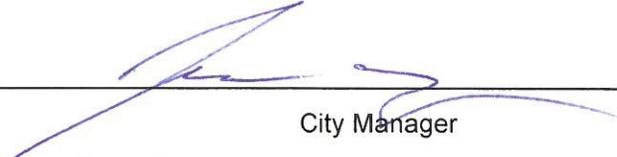
SUBJECT: Resolution No. 2016- ____ establishing employee salaries.

RECOMMENDATION: That the City Council approve Resolution No 2016- ____ establishing employee salaries.

FISCAL IMPACT: The total fiscal impact of this increase for the 7 remaining months of fiscal year 2016-2017 is \$13,951 or \$23,916 annually.

PUBLIC NOTICE: The agenda for this item was posted at the three required locations.

BACKGROUND: The current monthly salary range for the Public Works Director/City Engineer is \$9,636 (A step) per month and \$11,713 (E step) per month with each step being separated by 5%. Staff is proposing to adjust the A step to \$11,276 per month and the E step to \$13,706 per month. The cost of this adjustment at the top step for the remainder of the fiscal year will be \$13,951 (\$13,706 - \$11,713 x 7 months).

Approved _____	Motion _____	Second _____	Agenda Item No. <u>6</u>
Denied _____	Ayes _____		
Continued _____	Noes _____		File No. _____
Tabled _____	Abstain _____		
	Absent _____		
 City Clerk		 City Manager	

RESOLUTION NO. 2016-

**A RESOLUTION OF THE CITY COUNCIL
OF THE CITY OF HIGHLAND, CALIFORNIA,
ESTABLISHING EMPLOYEE SALARIES**

WHEREAS, the City Council of the City of Highland has determined it is necessary for the efficient operation and management of the City that salary ranges be established for employees; and

WHEREAS, the City Council recognizes that it competes in a market place to obtain qualified personnel to perform and provide municipal service, and that compensation and conditions of employment must be sufficiently attractive to recruit and retain qualified employees.

NOW THEREFORE, BE IT RESOLVED that the City Council of the City of Highland does hereby resolve to:

1. Change the salary range for the following position effective December 5, 2016.

<u>Position Title</u>	<u>Minimum Monthly</u>	<u>Maximum Monthly</u>
Public Works Director/City Engineer	\$11,276	\$13,706

PASSED, APPROVED AND ADOPTED this 22nd day of November 2016.

Larry McCallon, Mayor

Attest:

Betty Hughes, City Clerk



STAFF REPORT

TO THE CITY COUNCIL

DATE: November 22, 2016

FROM: Joseph A. Hughes, City Manager

PREPARED BY: Chuck Dantuono, Director of Administrative Services/City Treasurer 

SUBJECT: Resolution No. 2016-___ amending Resolution No. 2006-022 establishing personnel system rules.

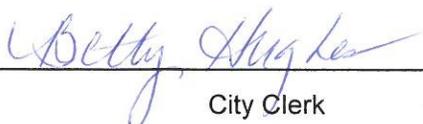
RECOMMENDATION: That the City Council approve Resolution No 2016-___ amending Resolution No. 2006-022 establishing personnel system rules.

FISCAL IMPACT: The fiscal impact of the increase of the auto allowance will be \$4,200 for fiscal year 2016-2017. This \$4,200 will be expended from several funds and can be absorbed in the current budget.

PUBLIC NOTICE: The agenda for this item was posted at the three required locations.

BACKGROUND: The City currently pays the three Directors (Public Works Director, Director of Administrative Services & Community Development Director) \$300 per month for an auto allowance. Staff is proposing to increase this monthly amount to \$500 per month. To help offset the increase, staff is also proposing to eliminate the mileage reimbursement for these Directors which is currently 1/2 the IRS rate (currently \$.54 per mile). The total cost of this increase will be \$4,200 (3 Directors x \$200 per month increase x 7 months remaining in the fiscal year). There are sufficient funds in the budget to cover this. The \$4,200 will be spread over the funds the Directors are currently charged to (General Fund \$2,590, Gas Tax \$490, Insurance \$210, Housing Authority \$210, Capital Improvements \$420 and SARDA \$280).

Approved _____	Motion _____	Second _____	Agenda Item No. <u>7</u>
Denied _____	Ayes _____		
Continued _____	Noes _____		File No. _____
Tabled _____	Abstain _____		
	Absent _____		


City Clerk


City Manager

Resolution

RESOLUTION NO. 2016-

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HIGHLAND, CALIFORNIA, AMENDING RESOLUTION NO. 2006-022 ESTABLISHING PERSONNEL SYSTEM RULES

WHEREAS, the City Council is authorized and directed under the provisions of Ordinance No. 39 to adopt rules for the administration of the personnel system created in said ordinance; and

WHEREAS, the objectives of these rules are to facilitate efficient and economical services to the public and to provide for an equitable system of personnel management in the municipal government; and

WHEREAS, these rules set forth in detail those procedures which insure similar treatment for those who compete for original employment and promotion, and define many of the obligations, rights, privileges, and prohibitions which are placed upon all employees in the competitive service of the City; and

WHEREAS, at the same time, within the limits of administrative feasibility, considerable latitude shall be given the City Manager and the Personnel Director in the interpretation of these Rules.

NOW THEREFORE, BE IT RESOLVED that effective November 22, 2016, the City Council of the City of Highland does hereby amend Resolution No. 2006-022 to read as follows:

XIV. WORK WEEK AND WORK SCHEDULES

SECTION F. USE OF PERSONAL VEHICLES AND CITY VEHICLES:

Employees who use their own vehicles on City business, as approved by the City Manager, shall be compensated at rate equal to the Internal Revenue Service limit for mileage reimbursement except those employees who receive a car allowance. ~~Those employees who receive a car allowance shall be reimbursed at ½ the IRS mileage rate per mile for official city business.~~ In the event of a vehicle mishap, when a personal vehicle is in use, the employee will be solely responsible for the liability via his or her automobile insurance coverage. Unless otherwise authorized by the City Council, City vehicles shall be used for city related business only, in accordance with City policy. If an employee must use the vehicle overnight or for successive days at a conference, prior approval of the City Manager must be received. All eligible employees shall be reimbursed other expenses in accordance with the City's reimbursement policy.

PASSED, APPROVED AND ADOPTED this 22nd day of November 2016.

Larry McCallon, Mayor

Attest:

Betty Hughes, City Clerk



STAFF REPORT TO THE CITY COUNCIL

DATE: November 22, 2016

FROM: Joseph A. Hughes, City Manager

PREPARED BY: Chuck Dantuono, Director of Administrative Services/City Treasurer 

SUBJECT: Resolution No. 2016- amending the agreement for legal services of the City Attorney (Richards, Watson & Gershon).

RECOMMENDATION: The Finance/Personnel Subcommittee recommends that the City Council approve Resolution No. 2016- amending the agreement for legal services of the City Attorney (Richards, Watson & Gershon)

FISCAL IMPACT: General hour rate increase of \$10 per hour and Litigation Services increase of \$15 per hour.

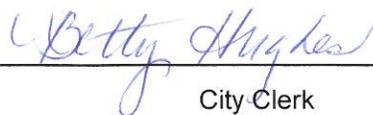
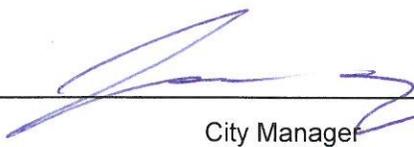
PUBLIC NOTICE: The agenda for this item was posted at the three required locations.

BACKGROUND: The last rate increase for the City Attorney was effective July 1, 2011. Richards, Watson & Gershon committed to holding that rate until June 30, 2013. It has now been over 5 years since a rate increase has been implemented. If approved, the increase would become effective January 1, 2017.

The Finance/Personnel Subcommittee reviewed this item on November 10, 2016 and recommends that the City Council approve the Resolution amending the agreement for legal services of the City Attorney.

Attachments:

1. Resolution No. 2016- amendment to current contract.
2. Current contract.

Approved _____	Motion _____	Second _____	Agenda Item No. <u>8</u>
Denied _____	Ayes _____		
Continued _____	Noes _____		File No. _____
Tabled _____	Abstain _____		
	Absent _____		
 City Clerk		 City Manager	

Attachment 1

RESOLUTION NO. 2016 -

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HIGHLAND, CALIFORNIA
AMENDING THE AGREEMENT FOR LEGAL SERVICES OF THE CITY ATTORNEY**

WHEREAS, the City Council has determined that it is efficient and appropriate to amend the Agreement for Legal Services of the City Attorney dated July 26, 2011 with Richards, Watson & Gershon;

NOW THEREFORE, THE CITY COUNCIL OF THE CITY OF HIGHLAND DOES HEREBY RESOLVE, DETERMINE AND ORDER AS FOLLOWS:

The Agreement for Legal Services of the City Attorney, dated July 26, 2011 is hereby amended as follows:

1. The hourly rates for legal services set forth in Exhibit "A" hereto shall be those rates in effect pursuant to Paragraph 7.B of the Agreement for Legal Services.
2. The amendments set forth in this Resolution shall take effect on January 1, 2017.

PASSED, APPROVED AND ADOPTED this 22nd day of November, 2016.

Larry McCallon, Mayor

ATTEST:

Betty Hughes, City Clerk



RICHARDS | WATSON | GERSHON

ATTORNEYS AT LAW – A PROFESSIONAL CORPORATION

355 South Grand Avenue, 40th Floor, Los Angeles, California 90071-3101
Telephone 213.626.8484 Facsimile 213.626.0078

RECEIVED
OCT 31 2016
CITY OF HIGHLAND

RICHARD RICHARDS
(1916-1988)

GLENN R. WATSON
(1917-2010)

HARRY L. GERSHON
(1922-2007)

STEVEN L. DORSEY
WILLIAM L. STRAUSS
GREGORY W. STEPANICICH
QUINN M. BARROW
CAROL W. LYNCH
GREGORY M. KUNERT
THOMAS M. JIMBO
ROBERT C. CECCON
STEVEN H. KAUFMANN
KEVIN G. ENNIS
ROBIN D. HARRIS
MICHAEL ESTRADA
LAURENCE S. WIENER
B. TILDEN KIM
SASKIA T. ASAMURA
KAYSER O. SUME
PETER M. THORSON
JAMES L. MARKMAN
CRAIG A. STEELE
T. PETER PIERCE
TERENCE R. BOGA
LISA BOND
ROXANNE M. DIAZ
JIM G. GRAYSON
ROY A. CLARKE
MICHAEL F. YOSHIBA
REGINA N. DANNER
PAULA GUTIERREZ BAEZA
BRUCE W. GALLOWAY
DIANA K. CHUANG
PATRICK K. BOBKO
DAVID M. SNOW
LOLLY A. ENRIQUEZ
GINETTA L. GIOVINCO
TRISHA ORTIZ
CANDICE K. LEE
JENNIFER PETRUSIS
STEVEN L. FLOWER
TOUSSAINT S. BAILEY
AMY GREYSON
DEBORAH R. HAKMAN
D. CRAIG FOX
MARICELA E. MARROQUIN
SERITA R. YOUNG
INDER KHALSA
WHITNEY G. MCDONALD
SEAN B. GIBBONS
STEPHANIE CAO
PATRICK D. SKAHAN
STEPHEN D. LEE
YOUSTINA N. AZIZ
BRENDAN KEARNS
KYLE H. BROCHARD
NICHOLAS R. GHIRELLI
ISRA SHAH
ISAAC M. ROSEN
ROMTIN PARVARESH
ANDREW R. CONTRERAS

October 28, 2016

VIA ELECTRONIC MAIL & U.S. MAIL

Joseph Hughes
City Manager
City of Highland
27215 Base Line
Highland, California 92346

Re: Legal Services Hourly Rates

Dear Joe:

As we discussed, Richards, Watson & Gershon requests that the City approve increases to our hourly rates for various categories of legal services as detailed in the attached proposal for a new “Exhibit A” to our contract.

As you may recall, our last rate increase was effective July 1, 2011 and we committed to keep those rates in effect through June 30, 2013. We have actually kept the approved rates the same for almost five years. Generally, we are requesting an increase of \$10 per hour across the board for various categories of service, with the exception of general litigation services where the requested increase is \$15 per hour. Slightly higher litigation rates help us keep the rates for general services, the City’s biggest service need, at a rate that is generally considered below industry standard. The \$10 per hour increase in most categories is less than the rate of inflation since 2011.

We have added a new specified rate in the rate schedule, for public finance services. For many years, cities have typically determined the compensation for bond counsel and other finance professionals based on the size of a bond issue at industry-accepted prices. The California Attorney General has recently issued advice discouraging that practice, and we are amending our client contracts accordingly. This proposed rate sheet includes a standard hourly rate for finance transactions, but limits the total amount to be paid to not exceed a reasonable total fee determined by the City Manager. In this way, the City will not incur new and larger issuance costs in finance transactions.

OF COUNSEL
MITCHELL E. ABBOTT
ROCHELLE BROWNE
TERESA HO-URANO
DIANA H. VARAT

SAN FRANCISCO OFFICE
TELEPHONE 415.421.8484

ORANGE COUNTY OFFICE
TELEPHONE 714.990.0901

TEMECULA OFFICE
TELEPHONE 951.695.2373

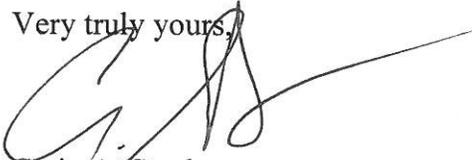
CENTRAL COAST OFFICE
TELEPHONE 805.439.3515

Joseph Hughes
October 28, 2016
Page 2

We would appreciate the City Council's consideration of the new Exhibit A to our contract as soon as possible. We propose to impose the new rate structure as of January 1, 2017.

Please contact me if you have questions. Thanks.

Very truly yours,



Craig A. Steele

Attachment

cc: Chuck Dantuono, Director of Administrative Services

11026-0001\2011162v1.doc

EXHIBIT A

RICHARDS, WATSON & GERSHON

HOURLY RATES FOR THE CITY OF HIGHLAND

EFFECTIVE JANUARY 1, 2017 – DECEMBER 30, 2018

General Municipal Services. Provide legal advice on municipal law matters, attendance at City Council and Commission meetings, workshops, staff meetings, preparation of routine ordinances and resolutions, and review and approval of standard agreements, and other services described in Section 6 of the Legal Services Agreement. This work shall not include other categories of services listed in this Exhibit and designated by the Firm with a separate special services billing number. The hourly rates for this work are:

All Attorneys \$160

Tort Defense Litigation. Defense or prosecution of personal injury, death or property damage litigation based on alleged negligence or dangerous conditions of public property. The hourly rates for this work are:

Shareholder Rate \$210
Senior Attorney Rate \$200
Associate Rate \$195

General Litigation. Litigation involving defense or prosecution of writs of mandate, injunctions, breach of contract, inverse condemnation, eminent domain, election proceedings, or administrative proceedings, except as otherwise provided in this Exhibit. The hourly rates for this work are:

Shareholder Rate \$250
Senior Attorney Rate \$225
Associate Rate \$215

Code Enforcement. Pre-litigation advice, administrative proceedings and litigation initiated by the City to enforce the Highland Municipal Code or other State or local laws or regulations. The hourly rates for this work are:

All attorneys blended rate \$190

Land Use Projects. The drafting and negotiation of all development agreements, drafting and negotiation of land use entitlements for significant land use projects, specialized advice and representation on general plan, housing and zoning issues, and other related specialized legal advice and services that do not fall within the General Municipal Services category. The hourly rates for this work are:

Shareholder Rate	\$245
Senior Attorney Rate	\$220
Associate Rate	\$210

Personnel and Labor Relations. Non-litigation advice concerning employee hiring and termination, compensation and benefits, labor negotiations, administrative hearings relating to personnel and labor matters. The hourly rates for this work are:

Shareholder Rate	\$245
Senior Attorney Rate	\$220
Associate Rate	\$210

Environmental. Legal work concerning state and federal hazardous waste laws, water quality matters including CERCLA and NPDES, compliance audits, appearance before state and federal agencies concerning enforcement actions or permit applications, and litigation relating to such issues. The hourly rates for this work are:

Shareholder Rate	\$260
Senior Attorney Rate	\$230
Associate Rate	\$210

Other Special Services Designated by the Firm. Legal services provided by attorneys other than the designated City Attorney, in specialized areas of the law such as real estate, annexations and reorganizations, administrative hearings, water rights, etc.

Shareholder Rate	\$245
Senior Attorney Rate	\$220
Associate Rate	\$210

Public Finance Matters. For providing services as bond counsel, disclosure counsel, or counsel to the issuer, Law Firm shall be paid at a composite hourly rate of \$395. The total fee shall not exceed an amount which the City Manager, in consultation with the Finance Director, deems fair and reasonable under the circumstances.

Paralegal Rate (for all matters)	\$110
---	-------

Attachment 2

AGREEMENT FOR LEGAL SERVICES

THIS AGREEMENT is made and entered into this 26th day of July, 2011, by and between the CITY OF HIGHLAND, a municipal corporation (the "City"), and the HIGHLAND REDEVELOPMENT AGENCY (the "Agency"), and the law firm of RICHARDS, WATSON & GERSHON, a professional law corporation (the "Firm"). The parties agree that the Firm shall be retained by the City and the Agency to perform legal services on the terms and conditions set forth hereinafter as follows:

1. Retention of City Attorney and Agency General Counsel. The City and the Agency desire to retain the Firm to perform the duties of the office of the City Attorney and Agency General Counsel.

2. Designation of City Attorney and Agency General Counsel. Craig A. Steele ("Steele") shall be designated as the City Attorney and Agency General Counsel, to serve at the will and pleasure of the City Council of the City (the "City Council") and the Agency, respectively. Such appointees may be changed by the City Council without amending this Agreement. The parties understand and agree that the City Attorney and Agency General Counsel may, from time to time, utilize other attorneys within the Firm at his discretion to assist in the performance of this Agreement. Said appointees shall have the authority vested in city attorneys and general counsels by the applicable laws of the State of California.

3. Licensing/Qualifications. The attorneys of the Firm are duly licensed under the laws of the State of California and are fully qualified to perform the duties of the office of the City Attorney and Agency General Counsel, and to provide the services contemplated by this Agreement.

4. Term. The term for performance of the services hereunder by the Firm as City Attorney and Agency General Counsel will commence on July 1, 2011, and shall continue thereafter unless terminated by either party hereto pursuant to the terms of this Agreement. The parties have the right to terminate said services at any time. Should the Firm's services be terminated, the Firm shall be entitled to receive payment for all unreimbursed expenses advanced on behalf of the City and/or Agency and for all time expended to such date at the hourly rate in effect when the time was expended.

5. Termination. Either party may terminate said services on the giving of thirty (30) days' written notice to the other of such termination. The Firm will comply with all obligations required pursuant to the State Bar Act in connection with such termination and the transition of replacement legal counsel to the City and/or Agency. The Firm shall be compensated for services rendered through and including the effective date of such termination.

6. Services Provided by the Firm. The Firm shall perform all legal services as requested by and necessary to serve the City and Agency, which shall include but are not limited to the following:

- A. The City Attorney/General Counsel, or another attorney of the Firm, under the City Attorney's/General Counsel's direction, shall attend all meetings of the City Council and Agency, as requested by the Mayor/Chairman or the City Manager/Executive Director, and unless excused by the Mayor/Chairman or City Manager/Executive Director;
- B. Provide legal advice and opinions on all matters affecting the City or Agency, when requested by the City Council, Agency or the City Manager/Executive Director, represent the City or Agency in administrative proceedings and litigation when so directed, and review and provide legal advice to the City and Agency on matters of pending and potential litigation;
- C. Prepare or approve as to legal form all resolutions, ordinances, contracts, agreements and other legal documents or any other matters which are referred for legal advice, review or handling during the term of this Agreement;
- D. Prepare all legal advice on behalf of the City and Agency to the City Council Members and Agency Members, City Manager/Executive Director, Commissioners, department heads and other designated personnel as appropriate;
- E. Commence and prosecute all legal and administrative actions necessary and appropriate to enforce the City's and/or Agency's rules and regulations, including enforcement through administrative proceedings;
- F. Monitor and advise the City Council and Agency Board and staff of legislation and case law affecting the City and Agency;
- G. Render advice and assistance in the administration of the City's and Agency's general liability risk management and insurance programs;
- H. Represent the City and Agency in the administration and prosecution of all claims and litigation filed by or against it/them; provided, however, that, with approval of the City Council/Agency Board, special counsel may be retained to defend or prosecute actions requiring special expertise; special counsel may be retained to provide specialized advice and representation to the City or Agency; and further provided that outside counsel shall be retained in the event of a conflict of interest which disqualifies the Firm from such representation.
- I. Monitor activities of any special counsel retained by the City or Agency;
- J. Render advice and assistance to City's representatives on labor relations matters, review memoranda of understanding or other labor agreements, draft implementing legislation or other pertinent documents and representation of City before mediators

or arbitrators on matters arising from memoranda of understanding or the City's personnel rules; and

- K. Provide conflict of interest assistance to the City and Agency staff on behalf of the City and Agency, and assist members and staff in seeking advice from the Fair Political Practices Commission and/or the State Attorney General.

The Firm shall not be required to perform the services described above when to do so would be a conflict of interest pursuant to the State Bar Act. The City and/or Agency shall retain the right to direct that attorneys other than the Firm perform legal work which has been authorized by the City Council and/or Agency Board.

7. Compensation. The Firm shall be compensated by the City and Agency for the performance of such services paid for by the City or Agency as set forth in Exhibit "A", attached hereto and incorporated by this reference.

- A. Notwithstanding the foregoing, the Firm may bill and be compensated at its standard hourly rates in those circumstances where an insurer, company or person, other than the City or Agency, is being billed for the Firm's services.
- B. Payment to the Firm shall be made by the City and/or Agency within thirty (30) days of receipt of the billing statement, except for those specific items on the billing which are contested or questioned and returned by City or Agency, with written explanation, within thirty (30) days of receipt of the statement. The Firm shall provide to the City or Agency a prompt response to any statement contested or questioned and further, upon request of the City or Agency, provide the City or Agency with any and all documents related to the service or costs. No charge shall be made for the time expended in providing this information to the City or Agency.
- C. The Firm may withdraw from this representation if prompt payment in full is not made within the specified time period, unless other arrangements have been made, in writing, in advance.

8. Costs and Disbursements. The City and Agency agree to provide for or pay all costs and disbursements incurred by the Firm and reasonably required for the preparation and/or deliverance of all matters assigned and performed pursuant to this Agreement.

9. Status. The Firm and designated appointees are and shall at all times remain as to the City and Agency a wholly independent contractor. Neither the City, Agency nor any of their officers, employees, servants or agents shall have control over the conduct of the Firm. The Firm is not and shall not at any time or in any manner represent that it or any of its officers, employees or agents are in any manner employees of the City or Agency. Nothing contained in this Agreement

shall be deemed, construed or represented by the City, Agency or the Firm to any third person to create the relationship of principal or agent, of a partnership or a joint venture, or of any other association of any kind or nature between the City, Agency or the Firm.

10. Possession of Documents. All reports, information, opinions, data, exhibits or other associated materials prepared or assembled by the Firm in connection with the performance of services pursuant to this Agreement shall be delivered to the City and/or Agency by the Firm upon demand. The Firm's costs in transferring and delivering these documents shall be paid by the City or Agency.

11. Insurance. The Firm represents and discloses to City and Agency that it maintains professional liability insurance, including errors and omissions coverage, and shall maintain in full force and effect, during and under the terms of this Agreement, the following insurance coverages:

- A. Professional liability (errors and omissions) insurance in an amount not less than \$2,000,000;
- B. Such insurance coverage as is required pursuant to the Workers' Compensation Laws of the State of California; and
- C. General liability policy with coverage in an amount not less than \$2,000,000.

12. General Provisions.

- A. The Firm shall not assign this Agreement, or any of the rights, duties or obligations hereunder.
- B. This Agreement constitutes the entire agreement of the parties concerning the subject matter hereof and all prior agreements or understandings, oral or written, are hereby merged herein. This Agreement shall not be amended in any way except by a writing expressly purporting to be such an amendment, signed and acknowledged by the parties hereto.
- C. Should interpretation of this Agreement, or any portion thereof, be necessary, it is deemed this Agreement was prepared by the parties jointly and equally, and shall not be interpreted against either party on the ground the party prepared the Agreement or caused it to be prepared.

D. No waiver of any provision of this Agreement shall be deemed, or shall constitute, a waiver of any other provision, whether or not similar, nor shall any such waiver constitute a continuing or subsequent waiver of the same provision. No waiver shall be binding, unless executed in writing by the party making the waiver.

13. Notices. Notices required pursuant to this Agreement shall be given by personal service upon the party to be notified, or by delivery of same to the custody of the United States Postal Service, or its lawful successor, postage prepaid and addressed as follows:

CITY and AGENCY:

City of Highland/
Highland Redevelopment Agency,
27215 Base Line
Highland, CA 92346
Attention: City Manager or
Agency Executive Director

FIRM:

RICHARDS, WATSON & GERSHON
355 South Grand Avenue, 40th Floor
Los Angeles, CA 90071-3101
Attn: Craig A. Steele

Service of notice by personal service shall be deemed to have been given as of the date of such personal service. Notices given by deposit with the United States Postal Service shall be deemed to have been given two (2) consecutive business days following the deposit of the same in the custody of said Postal Service. Any party may, from time to time, by written notice to the other, designate a different address which shall be substituted for the one above.

14. Severability. If any provision of this Agreement is held invalid or unenforceable, the remainder of this Agreement shall nevertheless remain in full force and effect. If any provision is held invalid or unenforceable with respect to particular circumstances, it shall nevertheless remain in full force and effect in all other circumstances.

15. Entire Agreement. This Agreement contains the entire understanding of the parties regarding their rights and obligations hereunder. This Agreement supercedes all prior written agreements between the Parties. Any alleged oral representations or modifications concerning this Agreement and the subjects thereof shall have no force or effect unless reduced to a writing signed by both parties.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their representatives as follows:

DATED: July 26, 2011

CITY OF HIGHLAND


Larry McCallon, Mayor

ATTEST:


Betty Hughes, City Clerk, MMC

DATED: July 26, 2011

HIGHLAND REDEVELOPMENT AGENCY


Larry McCallon, Chairman

DATED: 8/15/11

RICHARDS, WATSON & GERSHON
A Professional Corporation


Kayser O. Sume, Chairman of the Board

EXHIBIT A

RICHARDS, WATSON & GERSHON

HOURLY RATES FOR THE CITY OF HIGHLAND

EFFECTIVE JULY 1, 2011 – JUNE 30, 2013

General Municipal Services. Provide legal advice on municipal law matters, attendance at City Council and Commission meetings, workshops, staff meetings, preparation of routine ordinances and resolutions, and review and approval of standard agreements, and other services described in Section 6 of the Legal Services Agreement. This work shall not include other categories of services listed in this Exhibit and designated by the Firm with a separate special services billing number. The hourly rates for this work are:

All Attorneys \$150

Tort Defense Litigation. Defense or prosecution of personal injury, death or property damage litigation based on alleged negligence or dangerous conditions of public property. The hourly rates for this work are:

Shareholder Rate \$200
Senior Attorney Rate \$190
Associate Rate \$185

General Litigation. Litigation involving defense or prosecution of writs of mandate, injunctions, breach of contract, inverse condemnation, eminent domain, election proceedings, or administrative proceedings, except as otherwise provided in this Exhibit. The hourly rates for this work are:

Shareholder Rate \$235
Senior Attorney Rate \$210
Associate Rate \$200

Code Enforcement. Pre-litigation advice, administrative proceedings and litigation initiated by the City to enforce the Highland Municipal Code or other State or local laws or regulations. The hourly rates for this work are:

All attorneys blended rate \$180

Land Use Projects. The drafting and negotiation of all development agreements, drafting and negotiation of land use entitlements for significant land use projects, specialized advice and representation on general plan, housing and zoning issues, and other related specialized legal advice and services that do not fall within the General Municipal Services category. The hourly rates for this work are:

Shareholder Rate	\$235
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Personnel and Labor Relations. Non-litigation advice concerning employee hiring and termination, compensation and benefits, labor negotiations, administrative hearings relating to personnel and labor matters. The hourly rates for this work are:

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Associate Rate	\$200

Environmental. Legal work concerning state and federal hazardous waste laws, water quality matters including CERCLA and NPDES, compliance audits, appearance before state and federal agencies concerning enforcement actions or permit applications, and litigation relating to such issues. The hourly rates for this work are:

Shareholder Rate	\$250
Senior Attorney Rate	\$220
Associate Rate	\$200

Other Special Services Designated by the Firm. Legal services provided by attorneys other than the designated City Attorney, in specialized areas of the law such as real estate, annexations and reorganizations, administrative hearings, water rights, etc.

Shareholder Rate	\$235
Senior Attorney Rate	\$210
Associate Rate	\$200

Paralegal Rate (for all matters) \$100



STAFF REPORT TO THE CITY COUNCIL

DATE: November 22, 2016

FROM: Joseph A. Hughes, City Manager

PREPARED BY: Chuck Dantuono, Director of Administrative Services/City Treasurer 

SUBJECT: The Comprehensive Annual Financial Report (CAFR), the Single Audit Report on Federal Awards, the GAS (Internal Controls) letter, the Gann Limit (Appropriations Limit) letter and the SAS 114 (Audit Committee) letter. All reports are for Fiscal Year Ended June 30, 2016.

RECOMMENDATION: The Finance/Personnel Subcommittee recommends that the City Council receive and file the Comprehensive Annual Financial Report (CAFR), the Single Audit Report on Federal Awards, the GAS (Internal Controls) letter, the Gann Limit (Appropriations Limit) letter and the SAS 114 (Audit Committee) letter. All reports are for Fiscal Year Ended June 30, 2016.

FISCAL IMPACT: None-report only.

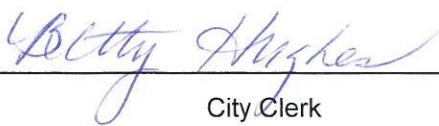
PUBLIC NOTICE: The agenda for this item was posted at the three required locations.

BACKGROUND: The Finance/Personnel Subcommittee reviewed the draft reports on November 10, 2016 in detail with the City's auditors, and recommends that the City Council receive and file the Comprehensive Annual Financial Report (CAFR), the Single Audit Report on Federal Awards, the GAS (Internal Controls) letter, the Gann Limit (Appropriations Limit) letter and the SAS 114 (Audit Committee) letter. All reports are for Fiscal Year Ended June 30, 2016. The item in the GAS letter has been addressed and management's responses are included in the letter. Also attached is a copy of the presentation made by the auditors on November 10, 2016 to the Finance/Personnel Subcommittee.

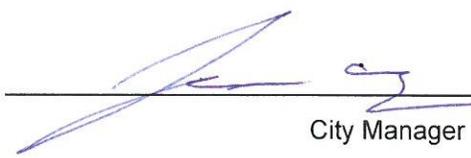
Attachments:

- Presentation made to Finance/Personnel Subcommittee.
- Comprehensive Annual Financial Report (CAFR) for Fiscal Year Ended June 30, 2016.
- Single Audit Report on Federal Awards.
- Gann Limit (Appropriations Limit) letter.
- GAS (Government Auditing Standards) letter.
- SAS (Statement on Auditing Standards) 114 letter.

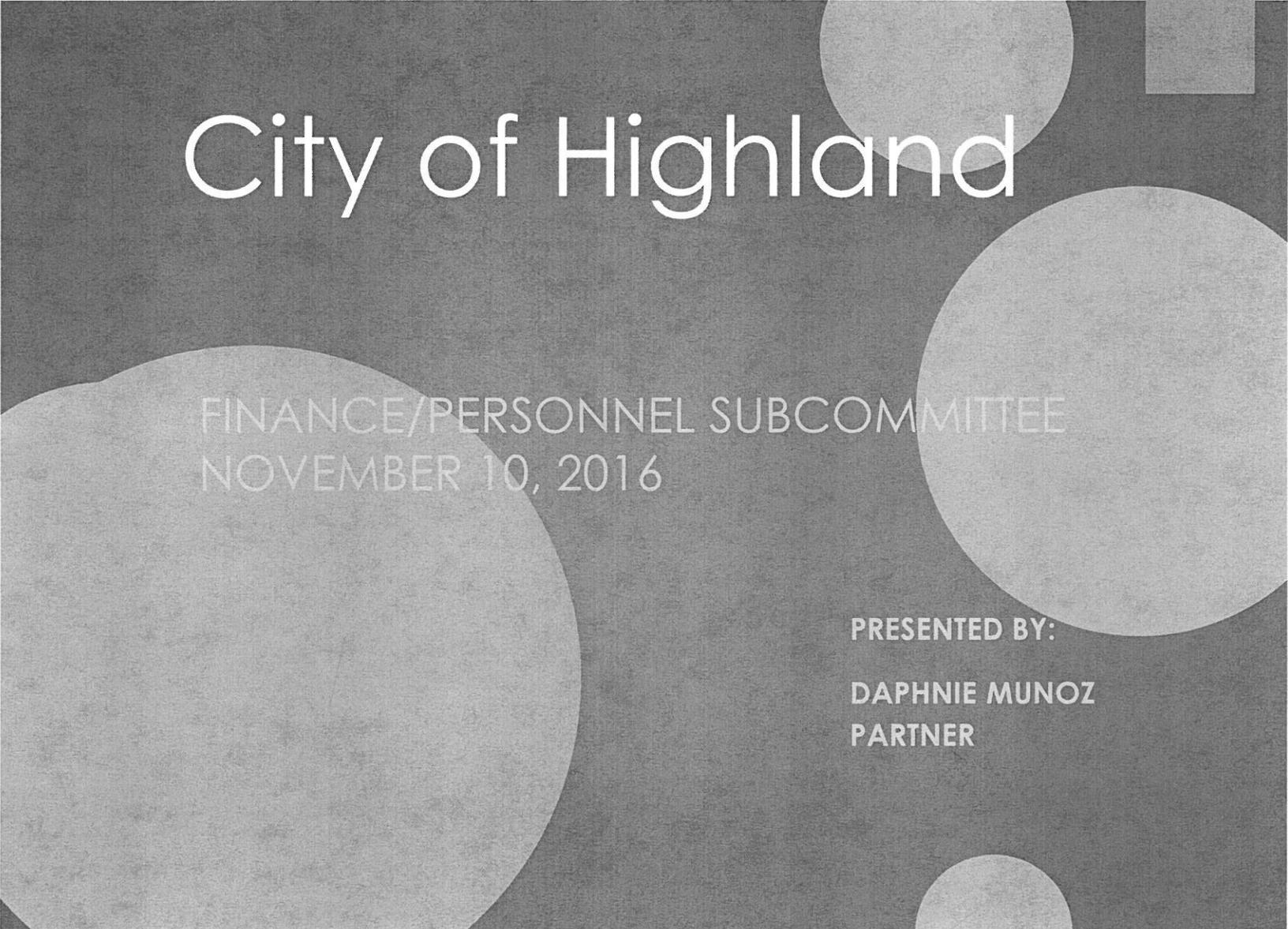
Approved _____	Motion _____	Second _____	Agenda Item No. <u>9</u>
Denied _____	Ayes _____		
Continued _____	Noes _____		File No. _____
Tabled _____	Abstain _____		
	Absent _____		



City Clerk



City Manager



City of Highland

FINANCE/PERSONNEL SUBCOMMITTEE
NOVEMBER 10, 2016

PRESENTED BY:

DAPHNIE MUNOZ
PARTNER

City Management's Responsibilities

- ▶ Financial Statements
- ▶ Adopt sound accounting policies
- ▶ Establish and maintain internal controls
- ▶ Prevent and detect fraud



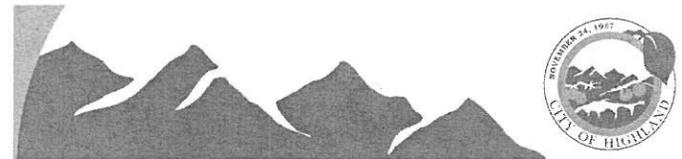
Auditors' Responsibilities

- Reasonable assurance that financial statements are free of material misstatement
- Examine evidence supporting amounts and disclosures
- Assess accounting principles used, estimates made, and evaluate overall financial statement presentation
- Review the internal control policies and procedures
- Express an opinion on the basic financial statements



Audit Work Performed

- ▶ Basic Financial Statements
- ▶ Review City's Internal Control Policies and Procedures in connection with audit of Financial Statements
- ▶ Single audit of federal expenditures



Reports Issued

- ▶ Independent Auditors' Report
- ▶ GAS Letter (Internal Control Letter)
 - ▶ 1 significant deficiency
- ▶ Communication with Those Charged with Governance



Reports Issued (Continued)

▶ Single Audit Reports

- ▶ Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on Audit of Financial Statements Performed in Accordance with Government Auditing Standards
- ▶ Report on Compliance for Each Major Program and on Internal Control over Compliance required by Uniform Guidance and on the Schedule of Expenditures of Federal Awards



Audit Opinion (Financial Statements)

- ▶ Report on the financial statements
- ▶ Management's responsibility for the financial statements
- ▶ Auditors' responsibility
- ▶ Opinion
 - ▶ Unmodified Opinion
- ▶ Other matters



Communications with Those Charged with Governance

8

- ▶ Significant accounting policies
- ▶ Accounting estimates
- ▶ Difficulties encountered in performing audit (none)
- ▶ Corrected and uncorrected misstatements



Communications with Those Charged with Governance (Continued)

- ▶ No disagreements with Management
- ▶ Management representations
- ▶ Management consultation with other independent accountant
- ▶ Other audit findings or issue



General Fund Highlights

- ▶ Fund balance of 7.2M
 - ▶ 1.06M nonspendable
 - ▶ Advances to SA (1.04M)
 - ▶ Inventory and Prepaids
 - ▶ 5M Assigned
 - ▶ 1.1M unassigned
 - ▶ Decreased 1.3M



General Fund Highlights (continued)

- ▶ Revenues of \$15.4M
 - ▶ 7.7M property taxes and MVILF
 - ▶ 118K above budget
- ▶ Expenditures of \$15.7M
 - ▶ 7.1M General Government
 - ▶ 8.5M Police
 - ▶ 452K over budget



City of Highland California



Comprehensive Annual Financial Report
For Fiscal Year Ended June 30, 2016



CITY OF HIGHLAND
Highland, California

Comprehensive Annual Financial Report

For the fiscal year ended June 30, 2016



27215 Base Line
Highland, California 92346
Phone: 909.864.6861
Fax: 909.862.3180
www.cityofhighland.org

Prepared by the Finance Department:

Chuck Dantuono
Director of Administrative Services/City Treasurer



CITY OF HIGHLAND

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November 22, 2016

To the Honorable Mayor, Members of the City Council and the Citizens of Highland:

State law requires that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2016.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than an absolute assurance that the financial statements are free of any material misstatements.

White Nelson Diehl Evans LLP, a firm of certified public accountants, have issued an unmodified (“clean”) opinion on the City of Highland’s financial statements for the year ended June 30, 2016. The independent auditor’s report is located in the front of the financial section of this report.

Management’s Discussion and Analysis (MD&A) immediately follows the independent auditor’s report and provides a narrative introduction, overview, and analysis of the basic financial statements. Management’s Discussion and Analysis complements this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The City of Highland was incorporated on November 24, 1987 and is located at the foothills of the San Bernardino Mountains in the heart of the Inland Empire. San Bernardino County along with Riverside County makes up the Inland Empire, one of the largest regions in the United States. Highland has a current population of 53,645 people and is approximately 18 square miles. The City of Highland is empowered by statute to extend its corporate limits by annexation, which it has done from time to time. In October 2000, Highland completed annexation of 3,200 acres in the City’s southeast area. With this annexation, Highland increased its boundaries by approximately 33%. This territory currently consists mainly of undeveloped land.

The City operates under the council-manager form of government. The City Council consists of five members. The mayor and mayor pro tem are selected annually. As the legislative body for the City, the Council is responsible for adopting ordinances and resolutions, adopting the budget, setting fees, appointing committees, hiring the City

Mayor
Larry McCallon

Mayor Pro Tem
Penny Lilburn

City Council
Sam J. Racadio

City Council
Jody Scott

City Council
John P. Timmer

City Manager
Joseph A. Hughes

27215 Base Line, Highland, CA 92346

Tel: (909) 864-6861 • Fax: (909) 862-3180 • Web: www.cityofhighland.org

Manager, providing policy direction to staff as well as various other duties. Starting in November 2016, Highland will go to districts. All 5 district seats will be up in the November 8, 2016 election. Districts 1, 3 & 5 will be up again in four years and Districts 2 & 4 will be up in two years. The City Manager is responsible for carrying out the policies and direction of the Council along with overseeing the daily operations of the City.

The City Council also has an additional role as Board Members for the Successor Agency to the Redevelopment Agency (SARDA), the Highland Public Financing Authority (HPFA) and the Highland Housing Authority (HA). As SARDA Board Members, they direct all the activity within the project area of the former Redevelopment Agency, as the former RDA is dissolved. The HPFA did not have any activity during the year. As Board members of the Housing Authority, they direct housing activities that used to be handled by the former RDA Board and the Low and Moderate Income Housing fund.

The City of Highland provides a full range of services. These services include, but are not limited to: police protection, fire suppression, paramedic services, animal control and licensing, the construction and maintenance of streets and infrastructure, planning and zoning, building and safety, engineering and inspection, code enforcement and general administration. Other services that are within the City boundaries are provided by: San Bernardino County, San Bernardino Valley Water Conservation, San Bernardino Unified School District, Redlands Unified School District, The YMCA of the East Valley and East Valley Water District.

The biennial budget serves as the foundation for the City's financial planning and control. As part of each budget year, goals and objectives of the City Council are incorporated into departmental goals and objectives for staff. This process is referred to as the Work Program. The main purpose of the Work Program is to identify goals, programs and projects to be completed. The Work Program is then used when preparing the budget so these projects can be funded. Some of the major programs needed to meet citizen's needs this past year were: Purchase of replacement Fire Engine, add fixed point Automated License Plate Readers (ALPR) locations throughout the city, complete development of the 5th Street/Greenspot Road Widening, complete construction of 5th Street storm drain project and develop the Harmony specific plan; in addition to other projects that were approved through the Work Program.

The Council is required to hold public hearings on the proposed budget and to adopt a final budget by no later than June 30, the close of the City's fiscal year. The appropriated budget is prepared by fund and department. Department heads may make transfers of appropriations within a department. Transfers of appropriations between departments, however, require the special approval of the City Council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund and major special revenue funds, this comparison is presented as part of the required supplementary information in the accompanying financial statements. For governmental funds that have appropriated annual budgets, other than the general fund, major special revenue funds,

major capital project funds and major debt service funds, this comparison is presented in the supplementary section of the accompanying financial statements.

In addition, the City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City's governing body. Annual budgets are adopted for the general fund, special revenue funds, capital projects funds, debt service funds and internal service funds. A midyear budget review process (usually by the City Manager and Director of Administrative Services) is conducted to evaluate where the City stands at half year. A five-year financial plan is adopted for capital projects in addition to the annual appropriated budgets. Every year the Capital Improvement Plan (CIP) is updated and changed if needed. The level of budgetary control (the level at which expenditures cannot legally exceed the appropriated amount) is established by departments within an individual fund. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Although encumbered amounts do lapse at year-end, they generally are re-appropriated as part of the following year's budget.

Local economy

Over the last several years, Highland has seen revenue sources continue to stabilize and even increase in 2015/2016. Property taxes (not including the additional amounts from the former RDA) did marginally increase. Other revenues such as charges for services also increased while the extraction tax, transient occupancy tax, franchise fees and sale & use tax increased as well. Intergovernmental revenue saw a slight decrease. With expenditures increasing at a higher rate than revenues over the last few years, it was the efficient and careful watch of these expenditures that made it possible for the general fund to be balanced in 2015/2016.

In adopting the 2015/2017 biennial budget, the City had to take into consideration that expenditures were continuing to increase at a higher rate than revenues. As a result, budgeted property taxes in the general fund and fire department fund for 2015/2016 and 2016/2017 were budgeted at a slightly higher amount that was received in 2014/2015. This was to compensate for the increase in the Police and Fire costs.

Highland has been able to maintain a balanced general fund budget without layoffs, pay reductions, furloughs or a reduction in services. Highland is mainly a residential community and as a result, the City's second highest revenue source is property taxes. The City has a light industrial and manufacturing area in town with many small retail shops and three large plazas. These plazas supply the City with jobs and sales tax revenues. This light manufacturing and industrial base adds to a stable unemployment rate in Highland.

For the future, there are a number of projects that continue to hold economic development potential for the community. Primarily, a commercial development located on Greenspot Road, east of SR-210, referred to as the "Golden Triangle." Several years ago, Lowe's, Staples, In-N-Out and Chevron opened in this area on the south side of

Greenspot Road. The City continues to work with the land owner and developers for the north side of Greenspot Road. Meanwhile, the City has spent \$18M on improving Greenspot Road.

Looking to open in this next year is Smart N Final. They will be located in the Town Center on Base Line west of SR-210. CVS Pharmacy, Baker's and Family Dollar have already opened in this area. Round Table Clubhouse has submitted an application on Highland Avenue near SR 330.

Long-term financial planning

When the City incorporated in 1987, the Local Agency Formation Commission's (LAFCO) analysis stated, "The proposed City of Highland does not appear financially feasible." In addition, the Christensen & Wallace Incorporation feasibility study stated "The preceding analysis ...of the community of Highland leads to the conclusion that with the current economic base, incorporation is best at marginal."

Today, Highland is a fiscally healthy city. This was accomplished by being extremely conservative in expenditures over the last twenty-seven years. While many cities rely on sales tax as a primary revenue source, Highland has relied on the vehicle license fees and property tax as the major revenue sources. Highland's sales tax earning potential was reduced in 1987 when the City of San Bernardino annexed Highland's potential sales tax areas prior to Highland's incorporation. As part of the long-term financial planning process, Highland continues to work on developing marketing plans on Base Line, Greenspot Road and Fifth Street, the major thoroughfares through the city. With SR-210 running through the center of the City and having Base Line, Greenspot Road and Fifth Street intersecting SR-210, the development of these corridors is vital to the increase of a sales tax base in Highland.

As always, the key goals will be to maintain a sound fiscal base, insure proper public facilities and infrastructure for current and future generations, assure proper level of public safety and health for the community, enhance the image and identity of the City and insure a high level of human resources and relations for staff, commissions and citizens.

As demonstrated by the statements and schedules included in this report, the City continues to meet its responsibility for sound financial management. Since the City incorporated, a commitment was made to a pay-as-you-go philosophy. The City's general fund has no bonded debt and Highland's other funds can use reserves to pay for many of the capital projects rather than placing a debt on future generations. The City has also been very successful in obtaining grants at the state and federal levels for the capital projects as well, therefore enabling local tax dollars to go further.

Relevant financial policies

Prior to the passage in November 2004 of Proposition 1A, which protects local government revenues from State raids, the State historically took funds away from local governments without paying them back. This was accomplished through what the State calls the ERAF (Educational Revenue Augmentation Fund) shift. Through the ERAF shift, the State takes property tax dollars from local governments and “shifts” them to education to fulfill their obligation of school funding. In short, the State balances their budget by taking funds from local governments.

Before Proposition 1A passed, the City of Highland annually paid since 1992 approximately \$301,433 into the State’s ERAF fund. Although Proposition 1A was approved by the voters, the cities will continue to pay these funds taken by the State.

For fiscal years 2004/2005 & 2005/2006, the State enacted ERAF III, which essentially doubled Highland’s current amount paid to the ERAF fund. For these two fiscal years, the State took an additional \$302,000 each year and placed it in the ERAF fund. These amounts will not be paid back, but Proposition 1A ensured that if funds are ever taken again, they must be repaid. However, as stated earlier, the \$301,433 taken as part of the original ERAF will still be taken annually by the State and never paid back.

An additional part of ERAF III was the RDA portion. The effect on the Highland RDA for fiscal years 2004/2005 & 2005/2006 was \$242,800, for each fiscal year.

In 2008/2009, the State tried to take \$654,507 from the Highland RDA. With help from the California Redevelopment Association (CRA), the State was sued and lost. However, for 2009/2010 & 2010/2011, the State approved SERAF (Supplemental Educational Revenue Augmentation Fund), an additional one-time taking from redevelopment agencies of \$1.7B in 2009/2010 and \$.35B in 2010/2011 for a total of \$2.05B over two years. Once again, the redevelopment agencies sued the State, but this time lost. The amount taken from the Highland RDA in 2009/2010 was \$3,182,076. The amount taken in 2010/2011 was \$654,507.

For fiscal years 2011/2012 and beyond, the State passed AB 1X 26 which eliminated redevelopment agencies. However, the State then passed AB 1X 27 which included the payment of a ransom if a community wanted to keep its redevelopment agency. Basically the State would eliminate a redevelopment agency and take all of its assets (land, cash, etc.) if the City did not elect to pay this ransom. These bills included language that the ransom would have to be paid by the city and reimbursed by the agency. This was yet another attempt by the State to steal money from local governments to balance their budgets. Highland’s share of this extortion was estimated to be \$2,731,486 in 2011/2012 and an annual payment thereafter of approximately \$655,000. The CRA once again sued the State and the State Supreme Court held in favor of the State for AB 1X 26, but not on AB 1X 27. This meant that over 400 redevelopment agencies throughout the State would be dissolved, and have been. Taken from Highland was the best economic tool to help jobs and businesses grow in our community. The funds taken from Highland would be used to offset the State’s responsibilities to the local taxing agencies. The State’s taking of local funds as a temporary bandage to solve their

annual budget problems is not a long term solution and will continue to have long lasting effects on local governments.

Since the dissolution of the former RDA, Highland has started to rebound. This was accomplished by the General Fund taking on an additional \$755,000 per year in expenses that was previously paid by the RDA. The City is still working with the Department of Finance (DOF) in getting repaid \$1.9M in outstanding loans. The repayment of these loans were approved, however, they will be repaid over several years. The two loans of \$1.3M and \$600,000 were loaned to the RDA in 1997 and 1998, in good faith. It was the full intention of the City for these loans to be repaid someday. In January of 2016, the DOF approved of the transfer of the balance of the remaining RDA bonds from the Successor Agency to the City and Housing Authority. The bonds for capital projects were transferred to the City and the housing related bonds were transferred to the Housing Authority.

Awards and Acknowledgments

The Government Finance Officers Association (GFOA) of the United States and Canada awarded the Distinguished Budget Presentation Award to the City for the fiscal years of 2015-2017. This budget award is the highest form of recognition a City can receive in governmental budgeting. This was the twenty-fourth year that the City has received this distinguished award. Also, the City received the California Society of Municipal Finance Officers (CSMFO) award for Excellence in Operational Budgeting for fiscal years 2015-2017. The City has received this award from CSMFO every year since first applying for it in 1991-1992. The City will apply for these same awards for the 2017-2019 biennial budget next year.

Both awards are for two years and recipients must meet very strict criteria. The budget document has to serve as a policy document, an operation guide, a financial plan and a communications device; therefore it is a significant City achievement.

The GFOA also awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for the fiscal year ended June 30, 2015 for its comprehensive annual financial report. This award is the highest form of recognition for excellence in state and local government financial reporting. This was the twenty-sixth consecutive year that the City has received such recognition. Ten years ago, the CSMFO ruled that if an organization applies for the GFOA (national) award, it would not be eligible for the CSMFO (state) award. Therefore, last year, the City did not apply for the CSMFO Outstanding Financial Reporting award for June 30, 2015. The City had received this award every year since first applying for it in 1990-1991. The City will only be able to apply for the GFOA Certificate of Achievement award from now on.

In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

This achievement is valid for a period of one year only. I believe the current report continues to conform to the Certificate of Achievement program requirements and I am submitting it to the GFOA.

I would like to thank Finance/Personnel Subcommittee members John Timmer and Sam Racadio for their direction in the preparation of this report. I would also like to thank the entire City Council for carrying out their continued responsibility as stewards of Highland's finances. Highland's fiscal health would not be where it is without this. In conclusion, I would like to thank City Manager, Joe Hughes. Joe continues to demonstrate high standards of financial management and professionalism, which is also critical to Highland's fiscal health.

Respectfully submitted,



Chuck Dantuono
Director of Administrative
Services/City Treasurer



CITY OF HIGHLAND

Listing of Officials

June 30, 2016

Elected Officials

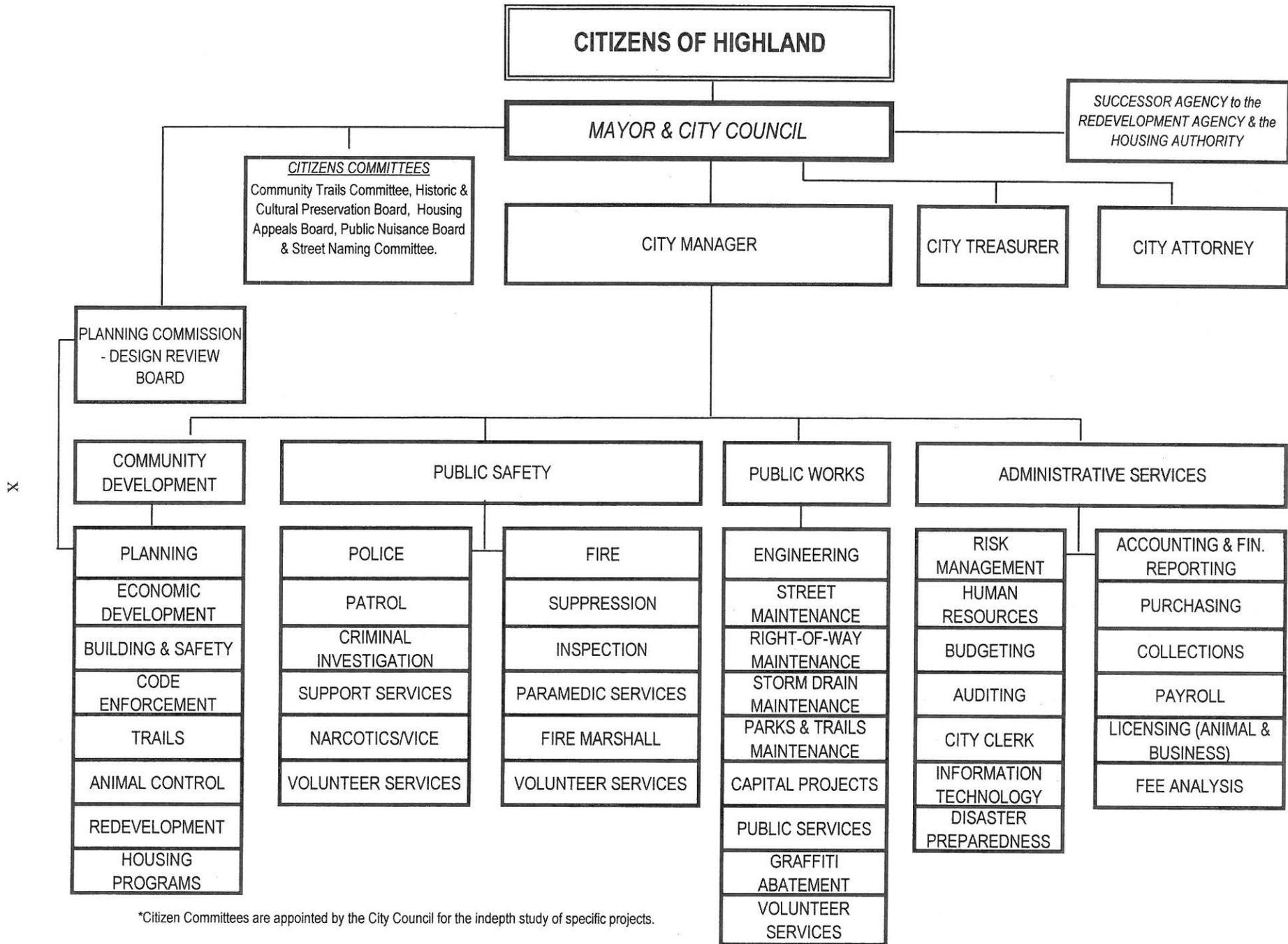
Mayor	Larry McCallon
Mayor Pro Tem	Penny Lilburn
Council member	Sam Racadio
Council member	Jody Scott
Council member	John Timmer

Finance/Personnel Subcommittee

Committee member	Sam Racadio
Committee member	John Timmer

Management

City Manager	Joseph Hughes
Administrative Analyst	David Daniely
Director of Administrative Services/City Treasurer	Chuck Dantuono
Building Official	Dale Everman
City Clerk	Betty Hughes
Community Development Director	Larry Mainez
Public Services Manager	Melissa Morgan
Public Works Manager	Jim Richardson
Asst. Community Development Director	Kim Stater
Public Works Director/City Engineer	Ernie Wong
Assistant Public Works Director	Carlos Zamano
Police Chief (Captain)	Tony DeCecio
Lieutenant	Todd Cole
Fire Chief (Battalion Chief)	John Toon



*Citizen Committees are appointed by the City Council for the indepth study of specific projects.



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

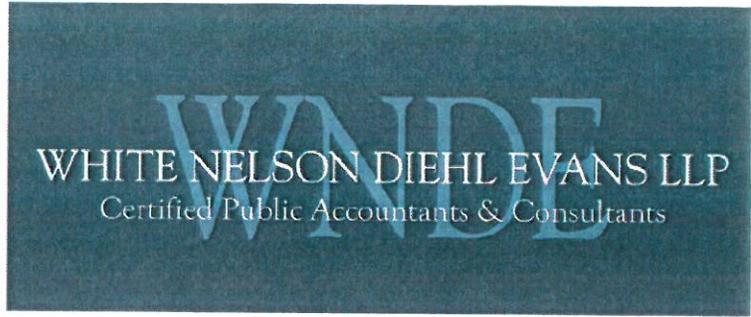
**City of Highland
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO





INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Highland (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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City 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.

Emphasis of Matter

As discussed in Note 16 to the financial statements, the beginning balance of the net position of the governmental activities was restated. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of the net pension liability, the schedule of contributions - defined benefit pension plan, the schedule of funding progress - other post-employment benefits plan and budgetary comparison schedules, identified as Required Supplementary Information (RSI) in the accompanying table of contents, 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 RSI 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 RSI because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Matters (Continued)

Other Information (Continued)

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2016, on our consideration of the City of Highland'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 of Highland's internal control over financial reporting and compliance.

White Nelson Dick Evans LLP

Irvine, California
November 7, 2016



MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the financial performance of the City of Highland provides an overview of the City's financial activities for the fiscal year ended June 30, 2016. Please read it in conjunction with the transmittal letter and financial statements identified in the accompanying table of contents.

Using the Accompanying Financial Statements

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Also included in the accompanying report are fund financial statements. For governmental activities, the fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the city's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of four parts – *management's discussion and analysis* (this section), the *basic financial statements*, *required supplementary information*, and an optional section that presents *combining statements* for nonmajor governmental funds and internal service funds. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the city's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the city government, reporting the City's operations in *more detail* than the government-wide statements.
 - The *governmental funds* statements tell how *general government* uses services like public safety were financed in the *short term* as well as what remains for future spending.
 - *Proprietary fund* statements offer *short-* and *long-term* financial information about the activities the government operates like businesses, such as the water and sewer system.
 - *Fiduciary fund* statements provide information about the fiduciary relationships – like the agency funds of the City – in which the city acts solely as *agent* or *trustee* for the benefit of others, to whom the resources in question belong.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that provided additional financial and budgetary information.

Figure A-1 summarizes the major features of the City's financial statements, including the portion of the city government they cover and the types of information they contain.

The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-1
Major Features of the City's Government-wide and Fund Financial Statements

	Government-wide <u>Statements</u>	<u>Fund Statements</u>		
		<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Fiduciary Funds</u>
Scope	Entire City government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses	Instances in which the City is the trustee or agent for someone else's resources
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term debt included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the City's fiduciary funds do not currently contain capital assets.
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid.

Reporting the City as a Whole

The accompanying **government-wide financial statements** include two statements that present financial data for the city as a whole. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and changes in them. You can think of the City's net position – the difference between assets & deferred outflows of resources and liabilities & deferred inflows of resources – as one way to measure the City's financial health, or *financial position*. Over time, *increases and decreases* in the City's net position are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's property tax base, sales tax base and the condition of the City's roads, to assess the *overall health* of the city.

The Statement of Net Position and the Statement of Activities:

- Governmental activities – Most of the City's basic services are reported here such as general government, community development, public safety and highways & streets. Sales taxes, property taxes, state subventions, charges for services and other revenues finance most of these activities.

Reporting the City's Most Significant Funds

The **fund financial statements** provide detailed information about the City's most significant funds – not the City as a whole. Some funds are required to be established by state law or by bond covenants. However, City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting administrative responsibilities for using certain taxes, grants, or other money (like grants received). The City's two kinds of funds – *governmental* and *proprietary* – use different accounting approaches.

- *Governmental funds* – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *current financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship or differences between *governmental activities* (reported in the Statement of Net Position and the Statement of Activities) and *governmental funds* in reconciliation at the bottom of the fund financial statements.
- *Proprietary funds* – When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. The City does not have any enterprise funds (a component of proprietary funds). Enterprise funds are the same as the business-type activities and would be reported in the government-wide statements but would provide more detail and additional information, such as cash flows, for proprietary

funds. The City does use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the City's other programs and activities.

Reporting the City's Fiduciary Responsibilities

The City is an agent for certain assets held for, and under the control of, other organizations and individuals. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Assets. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Currently, these funds consist of the two Community Facilities Districts and the Successor Agency to the City of Highland Redevelopment Agency Private Purpose Trust Fund.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

A summary of the government-wide *statement of net position* follows:

	Net Position June 30, 2016	
	Governmental Activities	
	<u>2016</u>	<u>2015</u> (as restated)
Current and other assets	74,890,733	52,886,649
Capital assets, net	<u>210,865,837</u>	<u>216,726,391</u>
Total assets	285,756,570	269,613,040
Deferred Outflows of Resources	470,669	418,087
Long-term liabilities	4,246,486	4,041,656
Other liabilities	<u>3,954,055</u>	<u>2,816,608</u>
Total liabilities	8,200,541	6,858,264
Deferred Inflows of Resources	418,060	796,561
Net position:		
Net Investment in capital assets	210,865,837	216,726,391
Restricted	50,367,758	36,329,464
Unrestricted	<u>16,375,043</u>	<u>9,320,447</u>
Total net position	\$277,608,638	\$262,376,302

The largest portion of the City's net position (76.0%) reflects its investments in capital assets (i.e. land, buildings, infrastructure, etc.); less any related debt used to acquire those assets that is still outstanding. The City uses these assets to provide services to its citizens; consequently, these assets are not available for future spending.

Restricted net position (18.1%) represents resources that are subject to external restrictions on how they may be used. Examples of restricted net position would be funds for gas tax, development impact fees, assessment districts and other special revenue funds.

Unrestricted net position (5.9%) can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements. An example of unrestricted net position would be the general fund.

A summary of the government-wide *statement of activities* follows:

	Changes in Net Position June 30, 2016 Governmental Activities	
	<u>2016</u>	<u>2015</u>
Program Revenues:		
Charges for services	6,283,809	5,485,215
Operating contributions & grants	9,032,776	4,464,421
Capital contributions & grants	<u>1,054,688</u>	<u>11,931,594</u>
Total Program Revenues	16,371,273	21,881,230
General Revenues:		
Property taxes	8,456,523	8,568,219
Sales & use tax	2,224,734	1,682,344
Transient occupancy tax	274,410	264,628
Franchise fees	1,587,761	1,561,126
Business license tax	263,489	344,282
Other	14,459	14,362
Investment income	104,983	987,829
Miscellaneous	<u>991,825</u>	<u>1,403,154</u>
Total General Revenues	13,918,184	14,825,944
Total revenues	<u>30,289,457</u>	<u>36,707,174</u>
Expenses:		
General government	8,026,419	6,693,784
Highways & streets	10,618,305	12,304,340
Public safety	<u>12,958,169</u>	<u>12,331,238</u>
Total expenses	31,602,893	31,329,362
Change in net position	(1,313,436)	5,377,812
Extraordinary item-Bond proceeds (note 15)	16,545,772	-
Restatement of Capital Assets (note 16)	-	1,087,356
Change in net position	15,232,336	6,465,168
Beginning net position	262,376,302	255,911,134
Ending net position	277,608,638	262,376,302

The increase or decrease in net position can provide an indication as to whether the overall financial position of the city improved or deteriorated during the year. The net position of the City's governmental activities increased by 5.8% (\$262.4M compared to \$277.6M). The net position (financial position) of the City changed as a result of the revenue and expense fluctuations described below.

The decrease in total program revenues above is due to capital contributions & grants decreasing due to the HBP & TE grants for Greenspot Road bridge being utilized more in 2014/2015 than in 2015/2016. However, operating contributions and grants did increase due to IVDA (Inland Valley Development Agency) pre-paying to the City \$6.7M for joint projects discussed below. The use of grants whether operating or capital will fluctuate from year to year and depending on what year they are used, will have an impact on program revenues. General revenues decreased because of the repayment of interest of the former RDA loan (\$946,087) in 2014/2015 and all of the tax categories increasing only marginally in 2015/2016.

Overall expenses in general government increased primarily because of the settlement of the Garrett v Highland lawsuit for districting. Other expenses remained flat as a result of all of the departments in the general fund and other funds, watching their administrative expenses. Expenses in Highways & Streets decreased as a result of decreased grant activity on large capital projects-primarily because of the HBP & TE grants for Greenspot Road bridge has been fully utilized. Public Safety expenses increased primarily due to the increase in expenses for the Sheriff's Department for police services and Cal-Fire for fire suppression and paramedic services.

The change in net position before applying extraordinary items and restated items is a result of the situations discussed above.

For the reasons stated above, the City's net position increased by \$15.2M (\$262.4M to \$277.6M).

Governmental Activities

	Revenues by Source			
	<u>2015/2016</u>	<u>%</u>	<u>2014/2015</u>	<u>%</u>
Charges for services	6,283,809	20.7%	5,485,215	14.9%
Operating contributions & grants	9,032,776	29.8%	4,464,421	12.2%
Capital contributions & grants	1,054,688	3.5%	11,931,594	32.5%
Property taxes	8,456,523	27.9%	8,568,219	23.3%
Sales & use tax	2,224,734	7.3%	1,682,344	4.6%
Transient occupancy tax	274,410	0.9%	264,628	0.7%
Franchise fees	1,587,761	5.2%	1,561,126	4.3%
Business license tax	263,489	0.9%	344,282	0.9%
Other	14,459	0.1%	14,362	0.1%
Investment income	104,983	0.3%	987,829	2.7%
Miscellaneous	991,825	3.3%	1,403,154	3.8%
Total Revenues	<u>\$30,289,457</u>	<u>100.0%</u>	<u>\$36,707,174</u>	<u>100.0%</u>

	Expenses by Function			
	<u>2015/2016</u>	<u>%</u>	<u>2014/2015</u>	<u>%</u>
General government	8,026,419	25.4%	6,693,784	21.4%
Highways & streets	10,618,305	33.6%	12,304,340	39.3%
Public safety	12,958,169	41.0%	12,331,238	39.3%
Total Expenses	<u>\$31,602,893</u>	<u>100.0%</u>	<u>\$31,329,362</u>	<u>100.0%</u>

MAJOR FUNDS

As noted earlier, the City uses fund accounting to provide proper financial management of the City's resources and to demonstrate compliance with finance-related legal requirements.

Major Governmental Funds

The **General Fund** is the chief operating fund of the City. At the end of the current fiscal year, the total fund balance of the general fund was \$7,174,860. The total fund balance is broken down into two categories, Nonspendable and Spendable. Spendable is then broken down into three sub-categories; Restricted, Assigned and Unassigned. Nonspendable is just that, it cannot be spent because it is not in a spendable form, such as inventory. Restricted means there have been restrictions placed on how these funds can be used (similar to the "reserved" term we used to use). Committed means the City Council has committed these funds for a specific project or intent. And lastly, Assigned means the City Council has given permission to the City Manager to assign funds to a specific project or intent.

The reasons for significant changes in the revenues and expenses of the city's general fund from the prior year are as follows:

- Total revenues (excluding operating transfers) increased by \$409,507, a 2.7% increase. Taxes increased by 3.9% or \$467,332. This is attributable to all categories of taxes (property, sale & use, extraction tax) increasing marginally. Licenses and Permits increased by 22.6% or \$120,733 due to increase building permit activity. Charges for Services increased by 41.9% or \$422,002 due to increases in planning applications. Interest income decreased by \$911,541 as a result of an RDA loan being paid off with \$946,000 in interest income in 2014/2015.
- Total expenses (excluding operating transfers) increased by \$2,322,520. The largest portion of this is for the \$1,325,000 settlement for the Garrett v Highland districting lawsuit. General government (all departments other than public safety) expenses increased by 26.3% or 1,869,839. Public safety (police department & animal control) increased by 5.3% or \$452,681. There were no capital purchases in the general fund in 2015/2016.
- Fund Balance in the general fund decreased by \$1,307,751 because of the reasons stated above.

The **Major Grants** fund is used to account for any federal grant that is not required to be accounted for in its own fund. Accounting for these grants in one fund is more efficient and manageable.

- Expenses in this fund decreased by \$2,352,080 primarily because of the HBP (Highway Bridge Program) and TE (Transportation Enhancement) grants the City used to construct the Greenspot Road Bridge were more heavily used in 2014/2015 than 2015/2016.
- Typically, revenues should equal expenses in this fund. However, some projects can't be reimbursed until the project is over or reimbursements are not received in a timely fashion and are not accounted for in the same period as the expense. This will lead to expenses over revenues in some years as well as a negative fund balance on some occasions. In rare circumstances, we will receive the revenue before the project is started and expenses are incurred. In 2015/2016, the retention amount of the HBP & TE grants of the Greenspot Road Bridge were not reimbursed soon enough to be accounted for in 2015/2016. They will be accounted for in 2016/2017.

The **Fire Department** fund is used to account for all expenses and revenues of the Fire Department.

The reasons for significant changes in the revenues and expenses of the Fire Department fund from the prior year are as follows:

- There was an overall increase in revenues in this fund of 15.0% primarily due to taxes and intergovernmental revenue. Intergovernmental includes residual balance revenues which is “leftover” or residual former RDA tax increment. This amount increased by \$251,352 or 115.8%. Property taxes increased marginally by \$110,439 or 4.7%. Interest Income increased by \$13,710 due to higher interest rates.
- The overall expenses in this department decreased by \$77,370 or 3.2%. Capital outlay decreased by \$54,138 or 64.2%. Capital purchases in this department will vary from year to year.
- The fund balance of this fund increased by \$193,171. This is primarily due to both revenues coming in above budget and expenditures coming in under budget.

The **Grants** fund is used to account for any non-federal grant that is not required to be accounted for in its own fund. It is also used to account for joint projects with local municipalities. Accounting for these grants and projects in one fund is more efficient and manageable.

The reasons for significant changes in the revenues and expenses of the Grants fund from the prior year are as follows:

- The overall expenses in this department decreased by \$2,352,080 primarily due to higher grant and joint project activity in 2014/2015 than in 2015/2016. These grants and joint projects will vary from year to year. Although the expenses were less in 2015/2016, there was still significant activity with the following projects; SR 210/Base Line interchange (joint project with SANBAG) and the 5th Street storm drain project with East Valley Water District.
- The overall revenues in this fund increased by \$4,706,585 or 197.9% primarily due to the IVDA (Inland Valley Development Agency) pre-paying to the City \$6.7M for joint projects discussed below. Overall miscellaneous grant revenues were less in 2015/2016 than in 2014/2015.
- The fund balance of this fund increased by \$6,324,258 due to the IVDA pre-paying to the City \$6.7M for their share of joint projects that will be constructed in the future including portions of Third Street, Fifth Street and the Base Line interchange project.

The **Measure I** fund is used to account for the ½ cent sales tax increase on gasoline.

The reasons for significant changes in the revenues and expenses of the Measure I fund from the prior year are as follows:

- The overall revenues in the Measure I fund increased marginally by \$84,259 or 9.6%. Measure I funds (the ½ cent sales tax increase on gasoline) received increased by \$69,790. Investment income increased by \$11,269.
- The overall expenses in this department decreased by \$895,008 primarily due to this fund being more heavily used in 2014/2015 for capital projects than in 2015/2016. This fund was used primarily for overlay projects including but not limited to the Del Rosa Drive (Base Line to Pacific Street) rehabilitation project.

- The fund balance of this fund increased by \$629,382 for the reasons discussed above. This fund will continue see more activity with capital projects in 2016/2017.

The **General Capital Financing** fund was established to provide matching funds for potential competitive grants and fund future one-time capital purchases and capital projects.

The reasons for significant changes in the revenues, expenses and fund balance of the general capital financing fund from the prior year are as follows:

- Revenues in this fund decreased from \$988,631 in 2014/2015 to \$75,510 in 2015/2016 primarily due to the \$945,413 loan the City made to Orange County in 2014/2015. This loan financed infrastructure improvements on the newly constructed Greenspot Road bridge. It was more efficient to construct those improvements now, rather than later after the bridge was already fully constructed. Investment income increased by 53.4% or \$11,124.
- Expenses in this fund increased by \$105,244 due to this fund being heavily used to pay for capital projects in 2015/2016. Highland's success in obtaining grants is very much due to being able to match grant funds when some cities are not able to do so. Many grants are competitive and having the capability to match these grant funds gives Highland an edge. This fund also assisted with one-time capital projects in 2015/2016 such as installation of the Automated License Plate Readers (ALPR). It is expected that this fund will continue to be used in this capacity over the next several years.
- The fund balance in this fund decreased overall by \$1,132,260. This fund was used heavily in 2015/2016 for the installation of ALPRs, the repair of the concrete roof at the Library/Environmental Learning Center and capital projects including the city-wide sidewalk repairs and an overlay project on 9th and Vine Street.

The **Capital Improvements** fund was established on January 1, 2016 to account for the former RDA bond proceeds that were transferred to the City and Housing Authority on approval of the Department of Finance (DOF).

The reasons for significant changes in the revenues, expenses and fund balance of the capital improvement fund from the prior year are as follows: No prior year data to compare.

Major Enterprise Funds

The City does not have any enterprise funds.

GENERAL FUND-BUDGET

The total expenses of the general fund exceeded the total appropriations for 2015/2016 due to the timing of the Garrett v Highland settlement payment discussed above. All other departments did not exceed the total appropriations for 2015/2016.

Differences between the original budget and the final amended budget of the General Fund can be briefly summarized as follows:

The following are significant increases to the expense budget for the General Fund:

- \$135,000 for completing the Environmental Impact Report for the Harmony project. This expense was paid by the developer.

- \$1,000,000 General Fund transfer to the General Capital Financing fund for future capital projects including the Pavement Management System.

Additional information on the City's budget adjustments and policies can be found in the notes to required supplementary information on page 92.

CAPITAL ASSETS

Capital Assets (net of depreciation) Governmental Activities

	<u>2016</u>	<u>2015 (as restated)</u>
Land	\$4,530,880	\$4,530,880
Rights of Way	86,820,200	86,802,528
Construction in progress	2,072,867	7,780,849
Buildings & improvements	28,239,695	29,478,756
Equipment, furniture & software	1,869,460	1,957,087
Vehicles	1,355,785	1,465,717
Infrastructure	<u>85,976,950</u>	<u>84,710,574</u>
Total	<u>\$210,865,837</u>	<u>\$216,726,391</u>

The major additions to capital assets during the year ended June 30, 2016 were as follows:

- Purchased extrication equipment for the Fire Department.
- Installed additional fixed point ALPR (Automated License Plate Readers) throughout the City.
- Purchased a message board/trailer for the Police Department.
- Purchased off road equipment/trailer for the Police Department.

Infrastructure additions include but are not limited to:

- Project No. STR 07-002 5th Street Storm Drain and Water Pipeline Improvements.
- Project No. OLA 13-001 CDBG Pavement Rehabilitation and Various Street Repairs.

Additional information on the City's capital assets can be found in the notes to the financial statements starting on page 58.

LONG-TERM DEBT

Additional information on the City's long-term liabilities can be found in the notes to the accompanying financial statements starting on page 59.

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's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Director of Administrative Services/City Treasurer, Chuck Dantuono, at the City of Highland, 27215 Base Line, Highland, California, 92346.

THE STATEMENT OF NET POSITION AND THE STATEMENT OF ACTIVITIES

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include *all* assets, deferred outflows of resources, liabilities and deferred inflows of resources using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's *net position* and changes in them. You can think of the City's net position—the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources as one way to measure the City's financial health, or *financial position*. Over time, *increases or decreases* in the City's net position are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the *overall health* of the City.

The Statement of Net Position and the Statement of Activities, present information about the following:

- Governmental activities—All of the City's basic services are considered to be governmental activities, including general government, community development, public safety, and public works. Vehicle license fees, property taxes, sales taxes, transient occupancy taxes, and franchise fees finance most of these activities.
- Component units—The City's governmental activities include the blending of two separate legal entities—the Highland Public Financing Authority and the City of Highland Housing Authority. Although legally separate, these "component units" are important because the City is financially accountable for them. The Highland Public Financing Authority did not have any activity this year.



CITY OF HIGHLAND

STATEMENT OF NET POSITION

June 30, 2016

	Governmental Activities
ASSETS:	
Cash and investments	\$ 66,942,282
Receivables, net:	
Accounts	1,268,908
Interest	58,962
Property taxes	131,441
Loans	1,683,320
Due from other governments	2,884,292
Advance to Successor Agency	1,900,000
Inventory	4,588
Prepays items	16,940
Capital assets:	
Nondepreciable	93,423,947
Depreciable, net of accumulated depreciation	117,441,890
TOTAL ASSETS	<u>285,756,570</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred amounts from pension	470,669
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>470,669</u>
LIABILITIES:	
Accounts payable	2,943,693
Accrued liabilities	136,249
Retention payable	28,786
Deposits payable	845,327
Long-term liabilities:	
Due within one year	113,345
Due in more than one year	4,133,141
TOTAL LIABILITIES	<u>8,200,541</u>
DEFERRED INFLOWS OF RESOURCES:	
Deferred amounts from pension	418,060
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>418,060</u>
NET POSITION:	
Net investment in capital assets	210,865,837
Restricted for:	
Public safety	10,181,809
Highways and streets	35,846,032
Affordable housing	4,339,917
Unrestricted	16,375,043
TOTAL NET POSITION	<u>\$ 277,608,638</u>

See accompanying notes to basic financial statements.

CITY OF HIGHLAND

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2016

Functions/programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position 2016
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 8,026,419	\$1,583,415	\$ 110,036	\$ 817,218	\$ (5,515,750)
Public safety	12,958,169	3,679,629	281,728	-	(8,996,812)
Highways and streets	10,618,305	1,020,765	8,641,012	237,470	(719,058)
Total governmental activities	<u>\$ 31,602,893</u>	<u>\$6,283,809</u>	<u>\$9,032,776</u>	<u>\$ 1,054,688</u>	(15,231,620)
General revenues:					
Taxes:					
					8,456,523
					2,224,734
					274,410
					1,587,761
					263,489
					14,459
					104,983
					991,825
					<u>13,918,184</u>
					Change in net position, before extraordinary item
					<u>(1,313,436)</u>
Extraordinary Item:					
					Bond proceeds transferred from Successor Agency (Note 15)
					<u>16,545,772</u>
					Total extraordinary item
					<u>16,545,772</u>
					Change in net position
					15,232,336
					Net position - Beginning of Year, as restated (Note 16)
					<u>262,376,302</u>
					Net position - End of Year
					<u>\$277,608,638</u>

See accompanying notes to basic financial statements.

GOVERNMENTAL FUNDS

Major Funds

A fund meets the criteria of a major fund if;

The total amount of assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues (excluding extraordinary items), or expenditures/expenses (excluding extraordinary items), of that fund are at least 10 percent of the corresponding total (assets, deferred outflows of resources, liabilities, etc.) for all of the funds in that classification of funds (that is, total governmental funds or total enterprise funds), and;

The total amount of assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues (excluding extraordinary items), or expenditures/expenses (excluding extraordinary items), of that fund are at least 5 percent of the corresponding total for all governmental funds and enterprise funds combined.

GENERAL FUND

The General Fund has been classified as a major fund and is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund.

SPECIAL REVENUE FUNDS

The Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for a particular purpose. The following Special Revenue funds have been classified as major funds in the accompanying financial statements:

Measure I - In June 1990, the taxpayers voted for added taxes on gasoline to provide additional monies by approving a one-half cent sales tax increase. In 2010, the taxpayers voted to extend this tax increase until 2040. These funds are kept locally for major road and transportation expenses and are disbursed to the City by San Bernardino Associated Governments (SANBAG).

Fire Department - This fund accounts for all revenues and expenditures relating to the fire department. The City contracts with the State (Cal-Fire) for this service.

Grants Fund - This fund is used to account for non-federal grants and joint projects with municipalities that are not required to be accounted for in its own fund. Examples of grants include; SLPP, SR2S, BTA and Indian Gaming Grants.

Major Grants Fund - This fund is used to account for federal grants that are not required to be accounted for in its own fund. Accounting for these grants in one fund is more efficient and manageable. Examples include; HBP, HSIP, PNRS, TE, SRTS and the State Homeland Security Grant programs.

CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for the acquisition and construction of major capital facilities. The following Capital Project Funds have been classified as major funds in the accompanying financial statements:

General Capital Financing - This fund was established to provide matching funds for potential competitive grants and fund future capital projects.

GOVERNMENTAL FUNDS (CONTINUED)

CAPITAL PROJECTS FUNDS (CONTINUED)

Capital Improvements - This fund was established to account for the non-housing bond proceeds of the former Redevelopment Agency.

Other Governmental Funds

Other governmental funds are those governmental funds that do not meet the criteria of a major fund. For reporting purposes in this section, they are combined together as Other Governmental Funds.



CITY OF HIGHLAND
BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2016

	Special Revenue Funds		
ASSETS	General	Measure I	Fire Department
Cash and investments	\$ 6,611,923	\$ 7,455,961	\$ 6,220,539
Receivables:			
Accounts	622,046	-	520,531
Interest	8,106	10,007	8,041
Property taxes	66,306	-	37,555
Loans	-	-	-
Due from other governments	671,552	122,055	17,395
Due from other funds	1,186,042	-	-
Inventory	4,588	-	-
Advance to Successor Agency	1,040,000	-	-
Prepaid items	16,940	-	-
	<u>\$ 10,227,503</u>	<u>\$ 7,588,023</u>	<u>\$ 6,804,061</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 2,114,138	\$ 13,546	\$ 14,394
Accrued liabilities	93,178	-	-
Retention payable	-	-	-
Deposits payable	845,327	-	-
Due to other funds	-	-	-
TOTAL LIABILITIES	<u>3,052,643</u>	<u>13,546</u>	<u>14,394</u>
DEFERRED INFLOWS OF RESOURCES:			
Unavailable revenues	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICIT):			
Nonspendable	1,061,528	-	-
Restricted	-	7,574,477	6,789,667
Assigned	5,004,971	-	-
Unassigned	1,108,361	-	-
TOTAL FUND BALANCES (DEFICIT)	<u>7,174,860</u>	<u>7,574,477</u>	<u>6,789,667</u>
	<u>\$ 10,227,503</u>	<u>\$ 7,588,023</u>	<u>\$ 6,804,061</u>

See accompanying notes to basic financial statements.

Special Revenue Funds (Continued)		Capital Projects Funds		Other Governmental Funds	Total Governmental Funds
Grants	Major Grants	General Capital Financing	Capital Improvements		
\$ 6,550,315	\$ -	\$ 7,446,820	\$ 13,209,595	\$ 14,511,216	\$ 62,006,369
-	-	-	-	68,144	1,210,721
1,431	-	10,163	-	14,751	52,499
-	-	-	-	27,580	131,441
-	-	987,592	-	695,728	1,683,320
733,790	378,835	30,890	-	929,775	2,884,292
-	-	-	-	-	1,186,042
-	-	-	-	-	4,588
-	-	480,000	-	380,000	1,900,000
-	-	-	-	-	16,940
<u>\$ 7,285,536</u>	<u>\$ 378,835</u>	<u>\$ 8,955,465</u>	<u>\$ 13,209,595</u>	<u>\$ 16,627,194</u>	<u>\$ 71,076,212</u>
\$ 175,601	\$ 5,102	\$ 144,368	\$ 105,409	\$ 329,713	\$ 2,902,271
-	-	1,101	6,472	30,250	131,001
7,609	-	11,900	2,889	6,388	28,786
-	-	-	-	-	845,327
-	373,732	-	-	812,310	1,186,042
<u>183,210</u>	<u>378,834</u>	<u>157,369</u>	<u>114,770</u>	<u>1,178,661</u>	<u>5,093,427</u>
679,194	315,751	42,179	-	905,468	1,942,592
<u>679,194</u>	<u>315,751</u>	<u>42,179</u>	<u>-</u>	<u>905,468</u>	<u>1,942,592</u>
-	-	1,425,413	-	-	2,486,941
6,423,132	-	-	13,094,825	14,752,805	48,634,906
-	-	7,330,504	-	-	12,335,475
-	(315,750)	-	-	(209,740)	582,871
<u>6,423,132</u>	<u>(315,750)</u>	<u>8,755,917</u>	<u>13,094,825</u>	<u>14,543,065</u>	<u>64,040,193</u>
<u>\$ 7,285,536</u>	<u>\$ 378,835</u>	<u>\$ 8,955,465</u>	<u>\$ 13,209,595</u>	<u>\$ 16,627,194</u>	<u>\$ 71,076,212</u>



CITY OF HIGHLAND

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

June 30, 2016

Fund balances for governmental funds \$ 64,040,193

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital Related Items

When capital assets (property, plant, equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the Statement of Net Position includes those capital assets among the assets of the City as a whole.

Capital assets, not being depreciated	\$ 93,423,947	
Capital assets, being depreciated	182,980,813	
Accumulated depreciation	<u>(65,538,923)</u>	
		210,865,837

Long-Term Debt Transactions

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the Statement of Net Position.

Compensated absences	(561,800)	
Other post-employment benefits	<u>(415,574)</u>	
		(977,374)

Internal Service Funds

Internal service funds are used by management to charge the costs of certain activities to individual City funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Position because they primarily service governmental activities of the City.

4,806,698

Net Pension Liability

Pension related debt applicable to the City governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Deferred outflows of resources and deferred inflows of resources related to pensions are only reported in the Statement of Net Position as the changes in these amounts effects only the government-wide statements for governmental activities

Deferred outflows of resources	470,669	
Deferred inflows of resources	(418,060)	
Pension liability	<u>(3,121,917)</u>	
		(3,069,308)

Unearned Revenues

Earned revenue in the Statement of Net Position has been reported as unavailable revenues in the fund financial statements if collectible after the availability period.

1,942,592

Net position of governmental activities \$ 277,608,638

See accompanying notes to basic financial statements.

CITY OF HIGHLAND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2016

	<u>Special Revenue Funds</u>		
	<u>General</u>	<u>Measure I</u>	<u>Fire Department</u>
REVENUES:			
Taxes	\$ 12,521,506	\$ -	\$ 2,475,335
Licenses and permits	654,071	-	30,115
Intergovernmental	73,222	929,430	468,425
Charges for services	1,430,081	-	520,531
Fines and forfeitures	115,565	-	-
Investment income	37,330	28,573	27,015
Rental income	-	-	-
Miscellaneous	612,496	3,200	-
TOTAL REVENUES	<u>15,444,271</u>	<u>961,203</u>	<u>3,521,421</u>
EXPENDITURES:			
Current:			
General government	7,112,862	-	147,815
Highways and streets	-	63,431	-
Public safety	8,547,276	-	2,175,129
Capital outlay	-	268,390	30,212
TOTAL EXPENDITURES	<u>15,660,138</u>	<u>331,821</u>	<u>2,353,156</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(215,867)</u>	<u>629,382</u>	<u>1,168,265</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	86,238
Transfers out	(1,091,884)	-	(1,061,332)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,091,884)</u>	<u>-</u>	<u>(975,094)</u>
CHANGE IN FUND BALANCES, BEFORE EXTRAORDINARY ITEM	(1,307,751)	629,382	193,171
EXTRAORDINARY ITEM:			
Bond proceeds transferred from Successor Agency (Note 15)	-	-	-
NET CHANGE IN FUND BALANCES	(1,307,751)	629,382	193,171
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR	<u>8,482,611</u>	<u>6,945,095</u>	<u>6,596,496</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 7,174,860</u>	<u>\$ 7,574,477</u>	<u>\$ 6,789,667</u>

See accompanying notes to basic financial statements.

Special Revenue Funds (Continued)		Capital Projects Funds		Other Governmental Funds	Total Governmental Funds
Grants	Major Grants	General Capital Financing	Capital Improvements		
\$ -	\$ -	\$ -	\$ -	\$ 1,074,093	\$ 16,070,934
-	-	-	-	-	684,186
7,079,281	8,255,188	30,890	-	2,188,676	19,025,112
-	-	-	-	48,675	1,999,287
-	-	-	-	66,472	182,037
5,100	-	31,967	31,363	56,442	217,790
-	-	-	-	120,691	120,691
280	-	12,653	-	42,708	671,337
<u>7,084,661</u>	<u>8,255,188</u>	<u>75,510</u>	<u>31,363</u>	<u>3,597,757</u>	<u>38,971,374</u>
-	-	401,919	91,561	282,757	8,036,914
109,343	8,886	-	-	2,547,733	2,729,393
-	-	-	-	1,686,243	12,408,648
629,716	568,147	648,638	482,632	150,433	2,778,168
<u>739,059</u>	<u>577,033</u>	<u>1,050,557</u>	<u>574,193</u>	<u>4,667,166</u>	<u>25,953,123</u>
6,345,602	7,678,155	(975,047)	(542,830)	(1,069,409)	13,018,251
13,719	25,267	1,000,000	35,063	2,288,039	3,448,326
(35,063)	(2,877)	(1,157,213)	(13,719)	(86,238)	(3,448,326)
(21,344)	22,390	(157,213)	21,344	2,201,801	-
6,324,258	7,700,545	(1,132,260)	(521,486)	1,132,392	13,018,251
-	-	-	13,616,311	2,929,461	16,545,772
6,324,258	7,700,545	(1,132,260)	13,094,825	4,061,853	29,564,023
98,874	(8,016,295)	9,888,177	-	10,481,212	34,476,170
<u>\$ 6,423,132</u>	<u>\$ (315,750)</u>	<u>\$ 8,755,917</u>	<u>\$ 13,094,825</u>	<u>\$ 14,543,065</u>	<u>\$ 64,040,193</u>

CITY OF HIGHLAND

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2016

Net change in fund balances, after extraordinary items - total governmental funds \$ 29,564,023

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

Capital Related Items

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

This is the amount by which capital outlays exceeded depreciation in the current period.

Capital expenditures	\$ 2,817,361	
Depreciation of capital assets	(5,214,922)	
Disposal of capital assets	(3,462,993)	(5,860,554)

Long-Term Debt Transactions

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Changes in compensated absences	(17,211)	
Changes in other post-employment benefits	(109,675)	(126,886)

Unavailable Revenues

Some revenues reported in the Statement of Activities are not considered to be available to finance current expenditures and therefore are not reported as revenues in the governmental funds.

(8,700,581)

Pension Expense

Pension expense reported in the governmental funds includes the annual required contributions. In the Statement of Activities, pension expense includes the change in the net pension liability, and related change in pension amounts for deferred outflows of resources and deferred inflows of resources

356,334

Internal Service Funds

Internal service funds are used by management to charge the costs of certain activities to individual City funds. The net revenues (expenses) of the Internal Service Funds is reported in the Statement of Activities.

-

Change in net position of governmental activities, after extraordinary items \$ 15,232,336

See accompanying notes to basic financial statements.

PROPRIETARY FUNDS

The Internal Service Funds are used to allocate the cost of providing goods and services by one department to other departments on a cost reimbursement basis. The City has two internal service funds; the Insurance Fund & the General Services Fund.

Insurance - This fund accounts for all expenditures relating to insurance premiums for both workers compensation and general liability of the City.

General Services - This fund accounts for all expenditures relating to City Hall including; utilities, janitorial services, computer network, copier leases, equipment and building maintenance repairs.

CITY OF HIGHLAND
STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2016

	Governmental Activities - Internal Service Funds
ASSETS:	
CURRENT ASSETS:	
Cash and investments	\$ 4,935,913
Receivables:	
Accounts receivable	58,187
Interest receivable	6,463
	5,000,563
TOTAL ASSETS	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	41,422
Accrued liabilities	5,248
Claims payable	37,774
TOTAL CURRENT LIABILITIES	84,444
LONG-TERM LIABILITIES:	
Claims payable	109,421
TOTAL LONG-TERM LIABILITIES	109,421
TOTAL LIABILITIES	193,865
NET POSITION:	
Unrestricted	4,806,698
TOTAL NET POSITION	\$ 4,806,698

See accompanying notes to basic financial statements.

CITY OF HIGHLAND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2016

	Governmental Activities - Internal Service Funds
OPERATING REVENUES:	
Charges for services	\$ 571,695
Miscellaneous	13,453
	<hr/>
TOTAL OPERATING REVENUES	585,148
	<hr/>
OPERATING EXPENSES:	
Salaries and benefits	89,454
Insurance premiums	167,048
Claims and judgements	35,075
Legal fees	47,697
Administrative expenses	258,644
Insurance adjusting fees	5,894
	<hr/>
TOTAL OPERATING EXPENSES	603,812
	<hr/>
OPERATING LOSS	(18,664)
	<hr/>
NONOPERATING REVENUES:	
Investment income	18,664
	<hr/>
TOTAL NONOPERATING REVENUES	18,664
	<hr/>
CHANGE IN NET POSITION	-
	<hr/>
NET POSITION - BEGINNING OF YEAR	4,806,698
	<hr/>
NET POSITION - END OF YEAR	\$ 4,806,698
	<hr/> <hr/>

See accompanying notes to basic financial statements.

CITY OF HIGHLAND

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2016

	Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received for services	\$ 605,422
Cash payments to employees for services	(146,516)
Cash payments made to suppliers/vendors	(432,556)
	<hr/>
NET CASH PROVIDED BY OPERATING ACTIVITIES	26,350
	<hr/>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Cash loaned to other funds	384,005
	<hr/>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	384,005
	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received on investments	15,230
	<hr/>
NET CASH PROVIDED BY INVESTING ACTIVITIES	15,230
	<hr/>
NET INCREASE IN CASH AND CASH EQUIVALENTS	425,585
	<hr/>
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	4,510,328
	<hr/>
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 4,935,913
	<hr/> <hr/>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating loss	\$ (18,664)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
(Increase) decrease in accounts receivable	20,274
Increase (decrease) in accounts payable	20,597
Increase (decrease) in accrued liabilities	948
Increase (decrease) in claims payable	3,195
	<hr/>
Total Adjustments	45,014
	<hr/>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 26,350
	<hr/> <hr/>

See accompanying notes to basic financial statements.

FIDUCIARY FUNDS

Agency Funds, a type of fiduciary fund, are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations and other governmental units.

Successor Agency to the City of Highland Redevelopment Agency Private Purpose Trust – This fund accounts for the activities of the Successor Agency to the Highland Redevelopment Agency.

Community Facilities Districts - These are specific amounts required by the bond indenture to be held in trust for the bondholders. There are two Community Facilities Districts in the City of Highland; CFD 90-1 & CFD 2001-1.

CITY OF HIGHLAND
STATEMENT OF NET POSITION
FIDUCIARY FUNDS

June 30, 2016

	Successor Agency to the City of Highland Redevelopment Agency Private Purpose Trust Fund	Agency Fund
ASSETS:		
Cash and investments	\$ 3,402,092	\$ -
Restricted cash and investments:		
Cash and investments with fiscal agent	3,778,153	1,702,042
TOTAL ASSETS	7,180,245	\$ 1,702,042
LIABILITIES:		
Accounts payable	332	\$ -
Accrued liabilities	3,489	-
Accrued interest payable	186,335	-
Advance from City of Highland	1,900,000	-
Held for bondholders	-	1,702,042
Long-term liabilities:		
Due within one year	1,410,000	-
Due in more than one year	50,576,446	-
TOTAL LIABILITIES	54,076,602	\$ 1,702,042
NET POSITION HELD IN TRUST	\$ (46,896,357)	

See accompanying notes to basic financial statements.

CITY OF HIGHLAND

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND

For the Fiscal Year Ended June 30, 2016

	Successor Agency to the City of Highland Redevelopment Agency Private Purpose Trust Fund
ADDITIONS:	
Taxes	\$ 4,332,736
Investment income	<u>12,492</u>
TOTAL ADDITIONS	<u>4,345,228</u>
DEDUCTIONS:	
Program expenses	197,419
Capital contributions to City of Highland	872,006
Interest	2,295,179
Residual payment to county auditor controller	<u>6,313</u>
TOTAL DEDUCTIONS	<u>3,370,917</u>
CHANGE IN NET POSITION, BEFOR EXTRAORDINARY ITEM	974,311
EXTRAORDINARY ITEM:	
Bond Proceeds transferred to City of Highland (Note 15)	<u>(16,545,772)</u>
CHANGE IN NET POSITION	(15,571,461)
NET POSITION - BEGINNING OF YEAR	<u>(31,324,896)</u>
NET POSITION - END OF YEAR	<u>\$ (46,896,357)</u>

See accompanying notes to basic financial statements.



CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the City of Highland (the City) have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below:

A. Description of Reporting Entity:

The City (the primary government) has included within its reporting entity, for financial reporting purposes, all component units over which the City exercises financial accountability. Financial accountability is defined as follows: The level of accountability that exists if a primary government appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial burdens to, or impose specific financial burdens on, the primary government. A primary government may also be financially accountable for government organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on the primary government. The City is also considered to be financially accountable for an organization if that organization is fiscally dependent (i.e., it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval from the City). In certain cases, other organizations are included as component units if the nature and significance of their relationship with the City are such that their exclusion would cause the City's financial statements to be misleading or incomplete.

Because each component unit meets the above-mentioned criteria, included within the financial reporting entity of the City of Highland are the City of Highland Public Financing Authority and City of Highland Housing Authority.

The City of Highland Public Financing Authority (the Authority) was created for the purpose of assisting the financing or refinancing of certain public capital facilities by the City. The Authority is governed by a five-member Board of Directors which consists of members of the City Council. During the current fiscal year, the Authority had no fiscal activity.

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

A. Description of Reporting Entity (Continued):

The City of Highland Housing Authority (the Housing Authority) was established by the City Council in 2011, and is responsible for the administration of providing affordable housing in the City. The Housing Authority is governed by a five-member Board of Directors which consists of members of the City Council. The Housing Authority's financial transactions are reported in the Special Revenue Fund. The Housing Authority does not prepare separate financial statements.

Since the City Council serves as the governing board for these component units, and there is a financial benefit/burden relationship between the City and these component units, all of the City's component units are considered to be blended component units. Blended component units, although legally separate entities, are in substance, part of the City's operations and so data from these units are reported with the interfund data of the primary government. These component units do not issue separate component unit financial statements.

B. Basis of Accounting and Measurement Focus:

The *basic financial statements* of the City are composed of the following:

- (a) Government-wide financial statements
- (b) Fund financial statements
- (c) Notes to the basic financial statements

Government-wide Financial Statements:

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the primary government (including its blended component units), as well as its discretely presented component units. The City of Highland has no business-type activities and no discretely presented component units.

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

B. Basis of Accounting and Measurement Focus (Continued):

Government-wide Financial Statements (Continued):

Eliminations have been made in the Statement of Activities so that certain allocated expenses are recorded only once (by the function to which they were allocated). However, general government expenses have not been allocated as indirect expenses to the various functions of the City. 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 amount program revenues are reported instead as *general revenues*.

Government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. *Basis of accounting* refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Under the *accrual basis of accounting*, revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33.

Program revenues include charges for services, special assessments and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the Statement of Activities to present the net cost of each program.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as other financing sources. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as expenditures.

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

B. Basis of Accounting and Measurement Focus (Continued):

Fund Financial Statements:

The underlying account system of the City is organized and operated on the basis of separate funds. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts, recording resources, related liabilities, obligations, reserves and equities segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

Fund financial statements for the primary government's governmental, proprietary and fiduciary funds are presented after the government-wide financial statements. These statements display information about major funds individually and other governmental funds in the aggregate for governmental funds. Proprietary statements include financial information for internal service funds. Fiduciary statements include financial information for private purpose trust funds and agency funds. Fiduciary funds of the City represent assets held by the City in a custodial capacity for other individuals or organizations.

Governmental Funds:

In the fund financial statements, governmental funds are presented using the *modified accrual basis of accounting*. Revenues are recognized when they become *measurable* and *available* as net current assets. *Measurable*: means that the amounts can be estimated or otherwise determined. *Available* means that the amounts were collectible during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. The City uses an availability period of 60 days for all revenues except for grant revenues, which is 90 days.

Sales taxes, property taxes, franchise taxes, motor vehicle in lieu, transient occupancy taxes, grant 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 to the extent normally collected within the availability period. Other revenue items are considered to be measurable and available where cash is received from the government.

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

B. Basis of Accounting and Measurement Focus (Continued):

Governmental Funds (Continued):

Revenue recognition is subject to the *measurable* and *availability* criteria for the governmental funds in the fund financial statements. *Exchange transactions* are recognized as revenues in the period in which they are earned (i.e., the related goods or services are provided). *Locally imposed derived tax revenues* are recognized as revenues in the period in which the underlying exchange transaction upon which they are based takes place. *Imposed nonexchange transactions* are recognized as revenues in the period for which they were imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. *Government-mandated and voluntary nonexchange transactions* are recognized as revenues when all applicable eligibility requirements have been met.

In the fund financial statements, governmental funds are presented using the *current financial resources measurement focus*. This means that only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources are generally included on their balance sheets. The reported fund balance (net current assets) is considered to be a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period. Noncurrent portions of long-term receivables due to governmental funds are reported on the balance sheet in spite of their spending measurement focus.

Amounts expended to acquire capital assets are recorded as *expenditures* in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as *other financing sources* rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

B. Basis of Accounting and Measurement Focus (Continued):

Governmental Funds (Continued):

Fund balances are reported in the fund statements in the following classifications:

Nonspendable - This classification includes amounts that cannot be spent because they are either (a) not in spendable form (such as inventory) or (b) legally or contractually required to be maintained intact (such as endowments).

Restricted - This classification includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers or through enabling legislation. If the Council action limiting the use of funds is included in the same action (legislation) that created (enables) the funding source, then it is restricted.

Committed - This classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken to remove or revise the limitation. The City has no committed fund balance at June 30, 2016.

Assigned - This classification includes amounts that are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council has by resolution authorized the City Manager to assign fund balance. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Unassigned - This classification includes the residual balance for the City's general fund and includes all spendable amounts not contained in other classifications. In other funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

It is the City's policy that restricted resources will be applied first, followed by (in order of application) committed, assigned, and unassigned resources, in the absence of a formal policy adopted by the Council.

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

B. Basis of Accounting and Measurement Focus (Continued):

Proprietary and Fiduciary Funds:

In the fund financial statements, proprietary funds and private purpose trust funds are presented using the *accrual basis of accounting*. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, proprietary funds are presented using the *economic resources measurement focus*. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their statements of net position. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net position.

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 principle operating revenues of City's internal service funds are charges for services. Operating expenses for the City's internal service funds include the cost of insurance, salaries and benefits and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The fiduciary funds consist of a private-purpose trust fund which is reported using the economic resources measurement focus and an agency fund which is are custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

C. Fund Classifications:

The accounts of the City are organized and operated on the basis of funds, each of which is considered a separate accounting entity with a self-balancing set of accounts, established for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The City reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the City. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. Expenditures of this fund include the general operating expenditures and other costs which are not paid through other funds.

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

C. Fund Classifications (Continued):

Measure I Special Revenue Fund - In June 1990, the taxpayers voted for added taxes on gasoline to provide additional monies by approving a one-half cent sales tax increase. These funds are kept locally for major road and transportation expenses and are disbursed to the City by San Bernardino Associated Government (SANBAG).

Fire Department Special Revenue Fund - This fund accounts for all paramedic tax revenues received and expenditures relating to the fire department. The City contracts with the State (Cal-Fire) for this service.

Grants Special Revenue Fund - This fund is used to account for any nonfederal grant that is not required to be accounted for in its own fund. Also included in this fund are joint projects with the County of San Bernardino, City of San Bernardino, East Valley Water District (EVWD), the Inland Valley Development Agency (IVDA), etc.

Major Grants Special Revenue Fund - This fund accounts for federal grants that are not required to be maintained in their own fund.

General Capital Financing Capital Projects Fund - This fund is used to match potential competitive grants and fund future capital projects.

Capital Improvements Capital Projects Fund - This fund is used to account for the non-housing bond proceeds of the form redevelopment agency.

The City's fund structure also includes the following fund types:

Special Revenue Funds - are used to account for specific revenues that are legally restricted to expenditure for a particular purpose.

Capital Projects Funds - are used to account for the acquisition and construction of major capital facilities.

Proprietary Funds:

Internal Service Funds - are used to finance and account for activities involved in rendering self-insurance and building maintenance services to departments within the City. Costs of materials and services used are accumulated in these funds and charged to the user departments as such goods are delivered or services rendered.

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

C. Fund Classifications (Continued):

Fiduciary Funds:

Private Purpose Trust Fund - is used to account for the activities of the Successor Agency to the Highland Redevelopment Agency.

Agency Fund - is used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations and other governmental units. Cash and deposits are maintained for debt for which the City is not obligated.

D. New Accounting Pronouncements:

Current Year Standards:

In fiscal year 2015-2016, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 72, "*Fair Value Measurement and Application*". GASB Statement No. 72 requires the City to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or income approach. GASB Statement No. 72 establishes a hierarchy of inputs used to measure fair value consisting of three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices included within Level 1, which are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs, and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. GASB Statement No. 72 also contains note disclosure requirements regarding the hierarchy of valuation inputs and valuation techniques that were used for the fair value measurements. There was no material impact on the City's financial statements as a result of the implementation of GASB Statement No. 72.

GASB Statement No. 73, "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*", was required to be implemented in the current fiscal year, except for those provisions that address employer and governmental nonemployer contributing entities for pensions that are not within the scope of GASB Statement No. 68, and is effective for periods beginning after June 15, 2016, and did not impact the City.

GASB Statement No. 76, "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*", was required to be implemented in the current fiscal year, and did not impact the City.

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

D. New Accounting Pronouncements (Continued):

Current Year Standards (Continued):

GASB Statement No. 79, "*Certain External Investment Pools and Pool Participants*", was required to be implemented in the current fiscal year, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing, which are effective for periods beginning after December 15, 2015, and did not impact the City.

GASB Statement No. 82, "*Pension Issues an Amendment of GASB Statement No. 67, No. 68 and No. 73*", changed the measurement of covered payroll reported in required supplementary information and has been early implemented.

Pending Accounting Standards:

GASB has issued the following statements, which may impact the City's financial reporting requirements in the future:

- GASB 73 - "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*", contains provisions that address employer and governmental nonemployer contributing entities for pensions that are not within the scope of GASB 68, effective for periods beginning after June 15, 2016.
- GASB 74 - "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*", effective for periods beginning after June 15, 2016.
- GASB 75 - "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*", effective for periods beginning after June 15, 2017.
- GASB 77 - "*Tax Abatement Disclosure*", effective for periods beginning after December 15, 2015.
- GASB 78 - "*Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*", effective for periods beginning after December 15, 2015.
- GASB 79 - "*Certain External Investment Pools and Pool Participants*", contains certain provisions on portfolio quality, custodial credit risk, and shadow pricing, effective for periods beginning after December 15, 2015.
- GASB 80 - "*Blending Requirements for Certain Component Units*", effective for periods beginning after June 15, 2016.

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

D. New Accounting Pronouncements (Continued):

Pending Accounting Standards (Continued):

- GASB 81 - "*Irrevocable Split-Interest Agreements*", effective for periods beginning after December 15, 2016.
- GASB 82 - "*Pension Issues*", effective for periods beginning after June 15, 2016, except for certain provisions on selection of assumptions, which are effective in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

E. Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of net position and the governmental funds balance sheet 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 future periods and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City has two items that qualify for reporting in this category. The first item is the deferred outflow related to pensions for the employer contributions made to pension plans after the measurement date of the net pension liability. The second item is a deferred outflow related to pensions for the differences between expected and actual experience. This amount is amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the plans, which is 3.8 years.

In addition to liabilities, the statement of net position and the governmental funds 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 future periods and will not be recognized as an inflow of resources (revenue) until that time. The City has four items that qualify for reporting in this category. The first item is unavailable revenues, which is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: grants and investment earnings. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item is a deferred inflow related to pensions resulting from the difference in projected and actual earnings on investments of the pension plan fiduciary net position. This amount is amortized over five years. The third item is a deferred outflow related to pensions for the changes in employer's proportion and differences between employer's contributions and the employer's proportionate share of contributions. This amount is amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the plans (3.8 years). The fourth item is a deferred outflow related to pensions for the changes in assumptions. This amount is amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the plans (3.8 years).

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

F Net Position Flow Assumption:

Sometimes the City 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, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the City's practice to consider restricted - net position to have been depleted before unrestricted - net position is applied.

G. Cash and Investments:

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government.

Investments are reported in the accompanying financial statements at fair value, except for certain certificates of deposit and investment contracts that are reported at cost because they are not transferable and they have terms that are not affected by changes in market interest rates. 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. Changes in fair value that occur during a fiscal year are recognized as *investment income* reported for that fiscal year. *Investment income* includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation, maturity, or sale of investments.

H. Advances to Successor Agency:

The portion of fund balance associated with amounts that have been disbursed to the Successor Agency in the form of long-term advances have been classified as nonspendable unless the funds associated with repayment of the advances are otherwise restricted for specific purposes.

I. Capital Assets:

Capital assets (including additions to infrastructure) are recorded at cost where historical records are available and at an estimated original cost where no historical records exist. Contributed capital assets are valued at their estimated fair value at acquisition. Generally, capital asset purchases in excess of \$5,000 (including infrastructure) are capitalized if they have an expected useful life of three years or more.

Capital assets include additions to public domain (infrastructure) consisting of certain improvements including roads and streets, curbs, gutters and sidewalks, street lights, signs and signals, park equipment and storm drains.

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

I. Capital Assets (Continued):

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the government-wide financial statements. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective statement of net position.

The range of lives used for depreciation purposes for each capital asset class is as follows:

Buildings and improvements	20 - 50 years
Equipment, furniture and software	3 - 20 years
Infrastructure - road system and storm drains	25 - 75 years
Vehicles	3 - 15 years

J. Compensated Absences:

Permanent City employees earn from 10 to 20 vacation days a year, depending upon their length of employment, and 12 sick days a year. Employees can carry forward up to 40 days in earned but unused vacation days. Any regular full-time employee who voluntarily separates or retires from the City after a minimum of 10 years of service will be compensated for 40% of all unused sick leave at their current rate of pay. Floating holidays may be accumulated up to 6 days, comp time earned up to 10 days, and administration time may be accumulated up to 20 days.

Upon termination or retirement, permanent employees are entitled to receive compensation at their current base salary for all unused vacation leave. Also, eligible for compensation are floating holidays, comp time, and administrative leave.

K. Claims and Judgments:

The City records a liability for litigation, judgments, and claims including losses incurred but not yet reported when it is probable that an asset has been impaired or a liability has been incurred prior to year-end and the probable amount of loss (net of any insurance coverage) can be reasonably estimated. This liability is recorded in the insurance internal service fund that accounts for the City's self-insurance activities.

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

L. Interfund Transactions:

Interfund transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

M. Inventory and Prepaid Items:

Inventory held by the general fund is stated at average cost using the consumption method.

Prepaid items are for payments to vendors for costs applicable to future accounting periods. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

N. Pensions:

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

O. Post-Employment Benefits:

Upon retirement, the City will pay for health insurance in CalPERS up to a maximum of \$200 per month plus administrative fees and contingency reserve fund assessments.

P. Long-Term Obligations:

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Q. Property Tax Calendar:

Property taxes are assessed and collected each fiscal year according to the following property tax calendar:

Lien Date:	January 1
Levy Year:	July 1 to June 30
Due Dates:	First Installment - November 1 Second Installment - March 1
Delinquent Dates:	First Installment - December 10 Second Installment - April 10

Under California law, property taxes are assessed and collected by counties up to 1% of assessed value, plus other increases approved by voters. Property tax revenues are pooled and then allocated to cities based on complex formulas prescribed by state statutes.

R. Estimates:

The preparation of financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

2. CASH AND INVESTMENTS:

Cash and Investments:

Cash and investments at June 30, 2016, are classified in the accompanying financial statements as follows:

	Government- Wide Statement of Net Position	Fiduciary Funds Statement of Net Position	Total
Cash and investments	\$ 66,942,282	\$ 3,402,092	\$ 70,344,374
Restricted cash and investments:			
Cash and investments with fiscal agent	-	5,480,195	5,480,195
Total Cash and Investments	\$ 66,942,282	\$ 8,882,287	\$ 75,824,569

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

2. CASH AND INVESTMENTS (CONTINUED):

Cash and investments at June 30, 2016, consisted of the following:

Cash on hand	\$ 1,150
Deposits with financial institutions	14,484,052
Investments	<u>61,339,367</u>
Total Cash and Investments	<u>\$ 75,824,569</u>

Investments Authorized by the California Government Code and the City's Investment Policy:

The table below identifies the investment types that are authorized for the City by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the provisions of the City's investment policy.

Investment Types Authorized by State Law	Maximum Maturity*	Maximum Percentage of Portfolio*	Maximum Investment in One Issuer*
California Local Agency Bonds	5 years	None	None
United States Treasury Obligations	5 years	None	None
Securities of the State of California	5 years	None	None
United States Agency Securities	5 years	None	None
Commercial Paper	270 days	25%	10%
Certificates of Deposit	5 years	None	None
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	92 days	None	None
Reverse Repurchase Agreements	1 year	20% of base value	None
Mutual Funds	5 years	15%	10%
California Asset Management Program (CAMP)	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

* - Based on state law requirements or investment policy requirements, whichever is more restrictive.

N/A - Not Applicable

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

2. CASH AND INVESTMENTS (CONTINUED):

Investments Authorized by Debt Agreements:

Investments of debt proceeds held by 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. The table below identifies the investment types that are authorized for investments held by bond trustee, subject to certain additional restrictions in the debt agreements. The table also identifies certain provisions of these debt agreements that address interest rate risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
United States Treasury Obligations	None	None	None
United States Agency Securities	None	None	None
Municipal Obligations	None	None	None
Commercial Paper	270 days	None	None
Certificates of Deposit	360 days	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	Life of bonds	None	None

N/A - Not Applicable

Disclosures Relating to Interest Rate Risk:

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

2. CASH AND INVESTMENTS (CONTINUED):

Disclosures Relating to Interest Rate Risk (Continued):

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

<u>Investment Type</u>	<u>Remaining Maturity (in Months)</u> <u>Less Than 12 Months</u>
CAMP	\$ 17,220,624
LAIF	38,638,548
Held by bond fiscal agent:	
Money market mutual funds:	
Successor Agency	3,778,153
CFD	<u>1,702,042</u>
Total	<u>\$ 61,339,367</u>

Disclosures Relating to Credit Risk:

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating as required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual Standard and Poor's rating, as of year end for each investment type:

<u>Investment Type</u>	<u>Total as of June 30, 2016</u>	<u>Minimum Legal Rating</u>	<u>AAA</u>	<u>Not Rated</u>
CAMP	\$ 17,220,624	N/A	\$ 17,220,624	\$ -
LAIF	38,638,548	N/A	-	38,638,548
Held by bond fiscal agent:				
Money market mutual funds:				
Successor Agency	3,778,153	A	-	3,778,153
CFD	<u>1,702,042</u>	A	-	<u>1,702,042</u>
Total	<u>\$ 61,339,367</u>		<u>\$ 17,220,624</u>	<u>\$ 44,118,743</u>

N/A - Not Applicable

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

2. CASH AND INVESTMENTS (CONTINUED):

Custodial Credit Risk:

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 its 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 (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the City's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. At June 30, 2016, the City and the Successor Agency deposits (bank balances) were either insured by the Federal Depository Insurance Corporation or were collateralized under California Law.

Investment in State Investment Pool:

The City and the Successor Agency are voluntary participants 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. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

California Asset Management Program:

The City invests in this investment trust, which is similar to a money market mutual fund. The fund invests primarily in certificates of deposit, commercial paper, and U.S. Government and Agency obligations. The City is a voluntary participant in the investment pool.

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

2. CASH AND INVESTMENTS (CONTINUED):

California Asset Management Program (Continued):

The CAMP Cash Reserve Portfolio (the Pool) is exempt from registration with the Securities and Exchange Commission (SEC) under the Investment Company Act of 1940, but operates in a manner consistent with SEC Rule 2a-7, "Money Market Funds", of that Act. Accordingly, the Pool meets the definition of a "2a7-like pool" set forth in GASB Statement No. 31, *"Accounting and Financial Reporting for Certain Investments and External Investment Pools"*. While the Pool itself is exempt from SEC registration, the Pool's investment advisor and administrator, PFM Asset Management, LLC, is registered with the SEC as an investment advisor under the Investment Advisors Act of 1940. PFM Asset Management, LLC has also filed a notice with the California Department of Corporations, as well as various other states, as an investment advisor under state securities laws. In addition, the Pool also meets the definition of "Municipal Fund Security" outlined by Municipal Securities Rulemaking Board (MSRB) Rule 0-12, therefore contracts with prospective investors relating to shares of the Pool are conducted through PFM Asset Management's wholly-owned subsidiary, PFMAM, Inc., a broker-dealer which is registered with the SEC and MSRB, and is a member of the National Association of Securities Dealers (NASD). The Pool also files an income tax return annually with the Internal Revenue Service, though the net income of the Pool is generally exempt from federal income tax.

Fair Value Measurements:

The City categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the relative inputs used to measure the fair value of the investments. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The City's investments in LAIF, CAMP and money market mutual funds are not subject to the fair value hierarchy.

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

3. INTERFUND RECEIVABLES AND PAYABLES:

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

Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Major Grants Special Revenue Fund	\$ 373,732
	Other Governmental Funds	<u>812,310</u>
		<u>\$ 1,186,042</u>

These interfund balances are short-term borrowings to cover deficit cash. These borrowings are expected to be repaid in fiscal year 2017.

4. INTERFUND TRANSFERS:

Interfund transfers at June 30, 2016, consisted of the following:

<u>Transfer Out of Fund</u>	<u>Transfers In to Fund</u>	<u>Amount</u>
General Fund	General Capital Financing Capital Projects Fund (A)	\$ 1,000,000
	Other Governmental Funds	91,884
Fire Department Special Revenue Fund	Other Governmental Funds (B)	1,061,332
Grants Special Revenue Fund	Capital Improvements Capital Projects Fund	35,063
Major Grants Special Revenue Fund	Other Governmental Funds	2,877
General Capital Financing Capital Projects Fund	Major Grants Special Revenue Fund	25,267
	Other Governmental Funds (C)	1,131,946
Capital Improvements Capital Projects Fund	Grants Special Revenue Fund	13,719
Other Governmental Funds	Fire Department Special Revenue Fund	<u>86,238</u>
		<u>\$ 3,448,326</u>

(A) The General Fund transferred \$1,000,000 for future capital projects to General Capital Financing Capital Projects Fund.

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

4. INTERFUND TRANSFERS (CONTINUED):

(B) The Fire Department Special Revenue Fund transferred \$1,041,838 to the Paramedic Department Special Revenue Fund to fund a shortage of medic tax revenue and \$19,494 to the FEMA Special Revenue fund to reimburse de-obligated expenditures.

(C) The General Capital Financing Capital Projects Fund transferred \$1,116,328 to the Street Light District Special Revenue Fund to subsidize the negative fund balance and \$15,618 to the AQMD Special Revenue for expenditure reimbursement.

5. CAPITAL ASSETS:

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

	Balance at July 1, 2015 (As Restated)	Additions	Deletions	Transfers	Balance at June 30, 2016
Capital assets, not being depreciated:					
Land	\$ 4,530,880	\$ -	\$ -	\$ -	\$ 4,530,880
Rights of way	86,802,528	17,672	-	-	86,820,200
Construction in progress	<u>7,780,849</u>	<u>2,539,692</u>	<u>(3,047,522)</u>	<u>(5,200,152)</u>	<u>2,072,867</u>
Total capital assets, not being depreciated	<u>99,114,257</u>	<u>2,557,364</u>	<u>(3,047,522)</u>	<u>(5,200,152)</u>	<u>93,423,947</u>
Capital assets, being depreciated:					
Buildings and improvements	39,984,527	-	-	-	39,984,527
Equipment, furniture and software	3,836,254	259,997	-	-	4,096,251
Vehicles	2,505,525	-	-	-	2,505,525
Infrastructure - road system	116,701,019	-	(720,783)	1,138,815	117,119,051
Infrastructure - storm drains	<u>15,214,122</u>	<u>-</u>	<u>-</u>	<u>4,061,337</u>	<u>19,275,459</u>
Total capital assets, being depreciated	<u>178,241,447</u>	<u>259,997</u>	<u>(720,783)</u>	<u>5,200,152</u>	<u>182,980,813</u>
Less accumulated depreciation for:					
Buildings and improvements	(10,505,771)	(1,239,061)	-	-	(11,744,832)
Equipment, furniture and software	(1,879,167)	(347,624)	-	-	(2,226,791)
Vehicles	(1,039,808)	(109,932)	-	-	(1,149,740)
Infrastructure - road system	(44,879,434)	(3,296,615)	305,312	-	(47,870,737)
Infrastructure - storm drains	<u>(2,325,133)</u>	<u>(221,690)</u>	<u>-</u>	<u>-</u>	<u>(2,546,823)</u>
Total accumulated depreciation	<u>(60,629,313)</u>	<u>(5,214,922)</u>	<u>305,312</u>	<u>-</u>	<u>(65,538,923)</u>
Total capital assets, being depreciated, net	<u>117,612,134</u>	<u>(4,954,925)</u>	<u>(415,471)</u>	<u>5,200,152</u>	<u>117,441,890</u>
Total governmental activities capital assets, net	<u>\$ 216,726,391</u>	<u>\$ (2,397,561)</u>	<u>\$ (3,462,993)</u>	<u>\$ -</u>	<u>\$ 210,865,837</u>

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

5. CAPITAL ASSETS (CONTINUED):

Depreciation expense was charged in the following functions in the Statement of Activities:

Governmental activities:	
General government	\$ 139,731
Highways and streets	4,525,670
Public safety	<u>549,521</u>
 Total	 <u>\$ 5,214,922</u>

6. LONG-TERM LIABILITIES:

Long-term liability activity for the year ended June 30, 2016, was as follows:

	Balance at July 1, 2015	Additions	Deletions	Balance at June 30, 2016	Due Within One Year	Due in More Than One Year
Other Liabilities:						
Claims payable (Note 9)	\$ 144,000	\$ 35,075	\$ (31,880)	\$ 147,195	\$ 37,774	\$ 109,421
Compensated absences	544,589	188,544	(171,333)	561,800	75,571	486,229
Other post-employment benefits (Note 7)	305,899	127,875	(18,200)	415,574	-	415,574
Net pension liability (Note 8B)	<u>3,047,168</u>	<u>470,035</u>	<u>(395,286)</u>	<u>3,121,917</u>	<u>-</u>	<u>3,121,917</u>
 Total	 <u>\$ 4,041,656</u>	 <u>\$ 821,529</u>	 <u>\$ (616,699)</u>	 <u>\$ 4,246,486</u>	 <u>\$ 113,345</u>	 <u>\$ 4,133,141</u>

Claims Payable:

The City retains the risk of loss for general liability and workers' compensation claims as described in Note 9. These amounts represent estimates of amounts to be paid for reported general liability and workers' compensation claims including incurred-but-not-reported claims based upon past experience, modified for current trends and information. While the ultimate amount of losses incurred through June 30, 2016 is dependent on future developments, based upon information from the City's attorneys, the City's claims administrators and others involved with the administration of the programs, City management believes the accrual is adequate to cover such losses. The estimated liability at June 30, 2016 for general liability amounted to \$147,195 and for workers' compensation was \$0.

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

6. LONG-TERM LIABILITIES (CONTIUNED):

Compensated Absences:

The City's policies relating to compensated absences are described in Note 1J. This liability, to be paid in future years primarily from the general fund, at June 30, 2016 is \$561,800.

7. OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN:

Plan Description:

The City administers a single-employer defined benefit plan which provides medical insurance benefits to eligible retirees and their spouses in accordance with various labor agreements. The City has not established a trust that is administered by the City for the purpose of holding assets accumulated for plan benefits. The City pays \$200 per month for eligible retirees' health coverage. The plan does not issue a separate financial report.

Eligibility:

Employees are eligible for retiree health benefits if they retire from the City on or after age 50 with at least 5 years of service, and are eligible for a PERS pension. Membership of the plan consisted of the following at July 1, 2015, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	7
Active plan members	<u>20</u>
Total	<u>27</u>

City's Funding Policy:

The contribution requirements of plan members and the City are established and may be amended by City Council. The contribution required to be made under City Council and labor agreement requirements is based on a pay-as-you-go basis (i.e., as medical insurance premiums become due). For fiscal year 2015-16, the City contributed \$18,200 to the plan for current premiums.

Annual OPEB Cost and Net OPEB Obligation:

The City's annual OPEB cost (expense) is calculated based on the ARC, an amount actuarially determined in accordance with parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded liabilities of the plan over a period not to exceed thirty years. The ARC for the fiscal year ended June 30, 2016 was \$125,836 and was determined as part of an actuarial valuation dated July 1, 2015.

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

7. OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED):

Annual OPEB Cost and Net OPEB Obligation (Continued):

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for these benefits.

Annual required contribution	\$ 125,836
Interest on net OPEB obligation	12,236
Adjustment to annual required contribution	<u>(10,197)</u>
Annual OPEB cost (expense)	127,875
Actual contributions made	<u>(18,200)</u>
Change in net OPEB obligation	109,675
Net OPEB Obligation - beginning of year	<u>305,899</u>
 Net OPEB Obligation - end of year	 <u>\$ 415,574</u>

The net OPEB obligation of \$415,574 is expected to be paid in future years primarily from the general fund.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2016 and the two preceding years, were as follows:

Fiscal Year Ended	Annual OPEB Cost	Actual Contribution (Net of Adjustments)	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/14	\$ 55,507	\$ 14,400	26.67%	\$ 266,718
6/30/15	55,781	16,600	29.76%	305,899
6/30/16	127,875	18,200	14.23%	415,574

Funded Status and Funding Progress:

As of July 1, 2015, the latest actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$1,252,914, and the actuarial value of assets was zero, resulting in an unfunded accrued actuarial liability (UAAL) of \$1,252,914. The covered payroll (annual payroll of active employees covered by the plan) was \$3,024,508 and the ratio of the UAAL to the covered payroll was 41.43%.

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

7. OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED):

Funded Status and Funding Progress (Continued):

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about rates of employee turnover, retirement, mortality, as well as economic assumptions regarding claim costs per retiree, healthcare inflation and interest rates. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions:

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the July 1, 2015 actuarial valuation, the alternative measurement method was used. The actuarial assumptions included an investment return/discount rate of 4% per annum, projected ultimate trend rate of 5% per annum, a general inflation rate of 0% per annum, and a health care trend rate starting at 8%, decreasing by 1% per annum to an ultimate rate of 5%, and dental rate of 4%. A level percentage of payroll method was used to allocate amortization cost by year. An open amortization period of 30 years was used.

8. PENSION PLANS:

A. General Information about the Pension Plans:

Plan Descriptions:

All qualified permanent and probationary employees are eligible to participate in the City's Miscellaneous Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans 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.

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

8. PENSION PLANS (CONTINUED):

A. General Information about the Pension Plans (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 to 62 with statutorily reduced benefits. All members are eligible for non-industrial disability benefits after five (5) 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 Plans' provisions and benefits in effect at June 30, 2016, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or After January 1, 2013
Hire date		
Benefit formula	2%@55	2%@62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates	7.00%	6.25%
Required employer contribution rates	9.353%	6.25%

Contributions:

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.

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

8. PENSION PLANS (CONTINUED):

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions:

As of June 30, 2016, the City reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	<u>\$ 3,121,917</u>

The City's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2015, and the total pension liability for each 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. The City's proportionate share of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The City's proportionate share of the net pension liability for each Plan as of June 30, 2014 and 2015 was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2014	.12329 %
Proportion - June 30, 2015	.11379 %
Change - Increase (Decrease)	(.00950)%

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

8. PENSION PLANS (CONTINUED):

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued):

For the year ended June 30, 2016, the City recognized pension expense of \$89,045. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 445,379	\$ -
Differences between actual and expected experience	25,290	-
Change in assumptions	-	(239,269)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	-	(58,842)
Net differences between projected and actual earnings on plan investments	-	(119,949)
Total	<u>\$ 470,669</u>	<u>\$ (418,060)</u>

\$445,379 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 ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2017	\$ (188,330)
2018	(188,437)
2019	(169,320)
2020	153,317
2021	-
Thereafter	-

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

8. PENSION PLANS (CONTINUED):

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued):

Actuarial Assumptions:

The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions:

	<u>Miscellaneous</u>
Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	3.3% - 14.2% (1)
Investment Rate of Return	7.5% (2)
Mortality	(3)

(1) Depending on age, service and type of employment

(2) Net of pension plan investment expenses, including inflation

(3) The probabilities of mortality are derived using CalPERS' membership data for all funds. 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.

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 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at the CalPERS website under Forms and Publications.

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

8. PENSION PLANS (CONTINUED):

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued):

Change of Assumptions:

GASB 69, 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% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% 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% for each Plan. 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% 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% is applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the 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 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.

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

8. PENSION PLANS (CONTINUED):

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued):

Discount Rate (Continued):

The table below reflects the 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 the CalPERS Board effective on July 1, 2014.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	51.0 %	5.25 %	5.71 %
Global Fixed Income	19.0 %	0.99 %	2.43 %
Inflation Sensitive	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)%
Total	100.0 %		

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

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

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate:

The following presents the City's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Miscellaneous
1% Decrease Net Pension Liability	6.65% \$ 5,219,074
Current Discount Rate Net Pension Liability	7.65% \$ 3,121,917
1% Increase Net Pension Liability	8.65% \$ 1,390,471

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

8. PENSION PLANS (CONTINUED):

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued):

Pension Plans Fiduciary Net Position:

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

C. Payable to the Pension Plans:

At June 30, 2016, the City had no outstanding amount of contributions to the pension plans required for the year ended June 30, 2016.

9. RISK MANAGEMENT:

The City 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 City obtains insurance coverage.

The City is a member of the Public Agency Risk Sharing Authority of California (PARSAC), a joint powers authority, which provides joint protection programs for public entities covering automobile, general liability, errors and omission losses, workers' compensation, and property claims. Under the program, the City has a \$100,000 retention limit similar to a deductible with PARSAC being responsible for losses above that amount up to \$1 million. PARSAC has additional coverage of \$34 million in excess of its \$1 million retention limit through affiliated risk management authorities. PARSAC also provides \$1 billion aggregate per occurrence property coverage to its members with such coverage provided by purchased insurance.

Liabilities of the City are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation are another component of the claims liability estimate.

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

9. RISK MANAGEMENT (CONTINUED):

PARSAC covers workers' compensation claims up to its self-insurance limit of \$500,000. The Local Agency Workers Compensation Excess Pool provides excess coverage to statutory limits. The City pays an annual premium to PARSAC and may share in any surplus revenues or may be required to pay additional assessments based upon PARSAC's operating results. Financial statements of PARSAC may be obtained from its administrative office located at 1525 Response Road, Suite One, Sacramento, California, 95815; www.parsac.org or by calling (916) 927-7727.

Additional claims and lawsuits have been filed against the City in the normal course of business. It is reasonably possible that the City may be liable for claims not to exceed \$100,000. In the opinion of management, the resolution of these matters will not have a material adverse effect on the financial condition of the government.

The workers' compensation and general liability claims administrators have estimated liabilities for probable future payments including an estimate for claims incurred but not reported. Claims outstanding as of June 30, 2016 were as follows:

Workers' compensation claims	\$ -
General liability claims	<u>147,195</u>
Total	<u>\$ 147,195</u>

Changes in the claims liability amounts were:

Fiscal Year	Beginning Balance	Current Year Claims and Changes in Estimates	Claim Payments	Ending Balance
6/30/15	\$ 148,620	\$ 11,696	\$ (16,316)	\$ 144,000
6/30/16	144,000	35,075	(31,880)	147,195

10. DEBT ISSUED WITHOUT GOVERNMENT COMMITMENT:

2001 Special Tax Bonds (Mello-Roos):

On September 1, 2001, the City of Highland Community Facilities District No. 2001-1 issued a Special Tax Bonds, Series 2001 in the amount of \$6,655,000. The bonds were issued to finance various public improvements located within the District and to prepay special taxes levied by CFD 90-1. The tax bonds have annual interest ranging from 4.0% to 6.3%. The tax bonds have annual principal and interest payments ranging from \$459,125 to \$475,645.

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

10. DEBT ISSUED WITHOUT GOVERNMENT COMMITMENT (CONTINUED):

2001 Special Tax Bonds (Mello-Roos) (Continued):

The special term bonds mature on September 1, 2028 and are subject to mandatory redemption without premium on September 1, 2002. Principal and interest payments on the tax bonds are payable solely from special tax assessments to be levied and collected from property owners with the District. It is management's determination that the City of Highland is in no way liable for repayment, but only acting as agent for the property owners in collecting the assessments, forward the collections to bondholders, and initiating foreclosure proceedings, if appropriate. Therefore, the City did not record the tax bonds as liabilities in the accompanying government-wide financial statements. At June 30, 2016, the amount outstanding was \$4,415,000.

Special Tax Refunding Bonds, Series 2001-A (Senior) and B (Subordinate):

On September 1, 2001, the City of Highland Community Facilities District No. 90-1 issued a Special Tax Refunding Bonds, Series 2001-A in the amount of \$7,180,000 and Series 2001-B in the amount of \$2,620,000. The bonds are being issued solely for the purpose of refunding the 1996 \$15,020,000 Special Tax Refunding Bonds Series A and B and to fund the senior bond reserve account. The refunding bonds have annual interest ranging from 2.7% to 5.8%. The refunding Series 2001-A and 2001-B bonds have annual principal payments ranging from \$796,500 to \$797,000, and \$268,000 to \$270,000, respectively. The refunding bonds mature on September 1, 2015.

Principal and interest payments on the refunding bonds are payable solely from special tax assessments to be levied and collected from property owners with the District. It is management's determination that the City of Highland is in no way liable for repayment but only acting as agent of the property owners in collecting the assessments, forwarding the collections to the bondholders, and initiating foreclosure proceedings, if appropriate. Therefore, the City did not record the refunding bonds as liabilities in the accompanying government-wide financial statements. During the fiscal year ended June 30, 2016, these bonds were paid in full.

11. COMMITMENTS AND CONTINGENCIES:

The City is a defendant in various litigations in the normal course of City operations, which in the opinion of management will not significantly adversely affect the City's financial position.

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

12. INDIVIDUAL FUND DISCLOSURES:

Deficit Fund Balances:

For the year ended June 30, 2016, the following funds had deficit fund balances:

Major Fund:

Major Grants Special Revenue Fund	\$ (315,750)
Other Governmental Funds:	
Article 3 Special Revenue Fund	(194,891)
CDBG Special Revenue Fund	(14,849)

The following material deficits are expected to be corrected as follows:

Major Grants Special Revenue Fund - The reimbursements have been submitted but not received. The City is expecting to receive the reimbursement shortly.

Article 3 Special Revenue Fund - These projects will be reimbursed when the project is completed.

CDBG Special Revenue Fund - The reimbursements have been submitted but not received. The City is expecting to receive the reimbursement shortly.

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

13. GOVERNMENTAL FUND BALANCE CLASSIFICATIONS:

The various fund balance classifications as of June 30, 2016, were as follows:

	Special Revenue Funds					Capital Projects Funds		Other Governmental Funds
	General	Measure J	Fire	Grants	Major	General	Capital	
			Department		Grants	Capital	Financing	
Nonspendable:								
Inventory and prepaid items	\$ 21,528	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Loans receivable	-	-	-	-	-	945,413	-	-
Advance to Successor Agency	1,040,000	-	-	-	-	480,000	-	-
Restricted:								
Public safety operations	-	-	6,789,667	64,936	-	-	-	3,392,142
Highways and street projects	-	7,574,477	-	6,358,196	-	-	13,094,825	7,410,447
Parks and recreation operations	-	-	-	-	-	-	-	103,232
Low and moderate income housing activities	-	-	-	-	-	-	-	3,644,189
Other purposes	-	-	-	-	-	-	-	202,795
Assigned:								
Public safety:								
Vehicle replacement	275,000	-	-	-	-	-	-	-
Equipment replacement	200,000	-	-	-	-	-	-	-
Public safety enhancement	-	-	-	-	-	-	-	-
Other purposes:								
Compensated absences	561,800	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	4,592,504	-	-
Technical enhancements	300,000	-	-	-	-	-	-	-
Service enhancements	2,168,171	-	-	-	-	-	-	-
City Hall	200,000	-	-	-	-	-	-	-
Fire Facilities	1,300,000	-	-	-	-	1,750,000	-	-
Public improvements	-	-	-	-	-	988,000	-	-
Unassigned	<u>1,108,361</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(315,750)</u>	<u>-</u>	<u>-</u>	<u>(209,740)</u>
	<u>\$ 7,174,860</u>	<u>\$ 7,574,477</u>	<u>\$ 6,789,667</u>	<u>\$ 6,423,132</u>	<u>\$ (315,750)</u>	<u>\$ 8,755,917</u>	<u>\$ 13,094,825</u>	<u>\$ 14,543,065</u>

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

14. SUCCESSOR AGENCY DISCLOSURES:

The assets and liabilities of the former Redevelopment Agency were transferred to the Successor Agency to the City of Highland Redevelopment Agency on February 1, 2012 as a result of the dissolution of the former Redevelopment Agency. The City is acting in a fiduciary capacity for the assets and liabilities. Disclosure related to capital assets and long-term liabilities are as follows:

Advances To/From the City of Highland:

The composition of advances as of June 30, 2016, was as follows:

<u>Advances From</u>	<u>Advances To</u>	<u>Amount</u>
General Fund	Successor Agency	\$ 1,040,000
General Capital Financing Capital Projects Fund	Successor Agency	<u>480,000</u>
	Subtotal	1,520,000
Housing Authority Special Revenue Fund	Successor Agency	<u>380,000</u>
	Total	<u>\$ 1,900,000</u>

The advances from the General Fund and General Capital Financing Capital Projects Fund were made to the Successor Agency to finance activities in the project areas. The advances from the Housing Authority Special Revenue Fund to the Successor Agency represents 20% of the total advances made by the General Fund and General Capital Financing Capital Projects Fund.

AB 1484 specifies the actions to be taken and the method of repayment for advances by the Successor Agency to the various funds of the City. Upon application and approval by the successor agency and approval by the oversight board, loan agreements (advances) entered into by former redevelopment agency and the city shall be deemed to be enforceable obligations provided that the oversight board makes a finding that the advances were for legitimate redevelopment purposes. In accordance to SB107 the accumulated interest on the remaining amount of advances will be recalculated from origination at 3%.

The advances are to be repaid with a defined schedule over a reasonable term of years at an interest rate not to exceed the interest rate earned by the funds deposited into the Local Agency Investment Fund. The annual advances repayments are subject to certain limitations are subject to a formula distribution, and have a lower priority for repayment as described in AB 1484 (Health and Safety Code Section 34191.4(2)(A)).

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

14. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

Long-Term Liabilities:

Long-term liability activity for the year ended June 30, 2016, was as follows:

	Balance at July 1, 2015	Additions	Deletions	Balance at June 30, 2016	Due Within One Year	Due in More Than One Year
Bonds Payable:						
2004B Tax Allocation						
Refunding Bonds	\$ 2,175,000	\$ -	\$ (170,000)	\$ 2,005,000	\$ 180,000	\$ 1,825,000
2007 Tax Allocation						
Bonds	37,605,000	-	(870,000)	36,735,000	910,000	35,825,000
2015A Tax Allocation						
Bonds	12,340,000	-	(180,000)	12,160,000	320,000	11,840,000
Premium	<u>1,144,558</u>	<u>-</u>	<u>(58,112)</u>	<u>1,086,446</u>	<u>-</u>	<u>1,086,446</u>
Total	<u>\$ 53,264,558</u>	<u>\$ -</u>	<u>\$ (1,278,112)</u>	<u>\$ 51,986,446</u>	<u>\$ 1,410,000</u>	<u>\$ 50,576,446</u>

2004B Tax Allocation Refunding Bonds:

In December 2004, the City of Highland Redevelopment Agency issued \$3,690,000 Tax Allocation Refunding Bonds Series 2004B. Proceeds from the bonds were used to refund the Agency's Highland Redevelopment Project Area No.1, 1994 Tax Allocation Refunding Bonds. The refunding met the requirements of an in-substance defeasance, and consequently, the old debt has been removed from the financial statements.

The bonds consist of \$2,250,000 of serial bonds and \$1,440,000 of term bonds. The serial bonds accrue interest at rates between 1.35% and 5.30% and the principal amounts mature between December 1, 2004 and December 1, 2018 in amounts ranging from \$115,000 to \$200,000. Term bonds of \$1,440,000 accrue interest at 5.65% and mature on December 1, 2024.

The term bonds maturing in the years 2019 and 2024 are subject to mandatory sinking account redemption on each December 1, commencing on December 1, 2019 and December 1, 2029, respectively, at a redemption price equal to the principal amount thereof together with accrued interest, without premium.

At June 30, 2016, the outstanding balance of the bonds was \$2,005,000.

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

14. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

2007 Tax Allocation Bonds:

In June 2007, the City of Highland Redevelopment Agency issued \$42,645,000 Tax Allocation Bonds Series 2007. Proceeds from the bonds are being issued to finance costs of the Redevelopment Project Area. As of June 30, 2016 unspent bond proceeds specifically set aside for these capital asset/infrastructure projects that remains unspent is \$11,527,969.

The bonds consist of \$14,420,000 of serial bonds and \$28,225,000 of term bonds. The serial bonds accrue interest at rates between 3.75% and 5.00% and the principal amounts mature between December 1, 2008 and December 1, 2023 in amounts ranging from \$285,000 to \$1,235,000. Term bonds of \$4,070,000 accrue interest at 4.75% and mature on December 1, 2026. Term bonds of \$10,075,000 accrue interest at 4.75% and mature on December 1, 2032. Term bonds of \$14,080,000 accrue interest at 4.75% and mature on December 1, 2037.

The bonds maturing on or after December 1, 2018 are subject to redemption as a whole or in part, together with interest accrued thereon to the date fixed from redemption without premium. The term bonds maturing in the years 2026, 2032, and 2037 are subject to mandatory sinking account redemption on each December 1, commencing on December 1, 2024, December 1, 2027, and December 1, 2033, respectively, at a redemption price equal to the principal amount thereof together with accrued interest, without premium.

Per the terms of the bond indenture, a reserve of \$3,584,257 is required to be maintained. At June 30, 2016, the reserve was fully funded, and the outstanding balance of the bonds was \$36,735,000.

2015A Tax Allocation Bonds:

In February 2015, the Successor Agency to the Highland Redevelopment Agency issued \$12,340,000 Tax Allocation Refunding Bonds Series 2015A for the purpose for refunding the outstanding balance of the Tax Allocation Bonds Series 2004A.

The bonds consist of \$8,405,000 of serial bonds and \$3,935,000 of term bonds. The serial bonds accrue interest at rates between 2.00% and 5.00% and the principal amounts mature between December 1, 2015 and December 1, 2030 in amounts ranging from \$180,000 to \$890,000. Term bonds of \$3,935,000 accrue interest at 3.5% and mature on December 1, 2034.

The Successor Agency refunded the 2004A Bonds to reduce its total debt service payments over 20 years by \$5,082,618 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,962,796.

At June 30, 2016, the outstanding balance of the bonds was \$12,160,000.

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

14. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

Debt Service Requirements:

The following is a summary of debt service requirements to maturity for all outstanding tax allocation bonds:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 1,410,000	\$ 2,324,195	\$ 3,734,195
2018	1,460,000	2,261,670	3,721,670
2019	1,535,000	2,193,391	3,728,391
2020	1,600,000	2,123,104	3,723,104
2021	1,675,000	2,046,710	3,721,710
2022 - 2026	9,615,000	8,917,741	18,532,741
2027 - 2031	11,915,000	6,362,225	18,277,225
2032 - 2036	14,840,000	3,344,469	18,184,469
2037 - 2038	6,850,000	329,175	7,179,175
Totals	<u>\$ 50,900,000</u>	<u>\$ 29,902,680</u>	<u>\$ 80,802,680</u>

15. RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES:

On June 29, 2011, Assembly Bills x1 26 (the Dissolution Act) and 1x 27 were enacted as part of the fiscal year 2011-12 state budget package which dissolved Redevelopment.

On June 27, 2012, as part of the fiscal year 2012-13 state budget package, the Legislature passed and the Governor signed AB 1484, which made technical and substantive amendments to the Dissolution Act based on experience to-date at the state and local level in implementing the Dissolution Act.

On September 22, 2015, as part of the fiscal year 2015-2016 state budget package, the legislature passed and the Governor signed SB107, which made technical and substantive amendments to the existing Dissolution Act.

Under the Dissolution Act, each California redevelopment agency (Dissolved RDA) was dissolved as of February 1, 2012, and the sponsoring community that formed the Dissolved RDA, together with other designated entities, have initiated the process under the Dissolution Act to unwind the affairs of the Dissolved RDA. A Successor Agency was created for each Dissolved RDA which is the sponsoring community of the Dissolved RDA unless it elected not to serve as the Successor Agency. On January 10, 2012, the City elected to serve as the Successor Agency of the City of Highland Redevelopment Agency.

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

15. RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES (CONTINUED):

The Dissolution Act also created oversight boards which monitor the activities of the successor agencies. The roles of the successor agencies and oversight boards is to administer the wind down of each Dissolved RDA which includes making payments due on enforceable obligations, disposing of the assets (other than housing assets) and remitting the unencumbered balances of the Dissolved RDAs to the County Auditor-Controller for distribution to the affected taxing entities.

The Dissolution Act allowed the sponsoring community that formed the Dissolved RDA to elect to assume the housing functions and take over the certain housing assets of the Dissolved RDA. If the sponsoring community does not elect to become the Successor Housing Agency and assume the Dissolved RDA's housing functions, such housing functions and all related housing assets will be transferred to the local housing authority in the jurisdiction. AB 1484 modified and provided some clarifications on the treatment of housing assets under the Dissolution Act. The City of Highland Housing Authority elected on January 27, 2012, to serve as the Housing Successor Agency.

After the date of dissolution, the housing assets, obligations, and activities of the Dissolved RDA have been transferred and are reported in a special revenue fund (Housing Authority Special Revenue Fund) in the financial statements of the City. All other assets, obligations, and activities of the Dissolved RDA have been transferred and are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

The Dissolution Act and AB 1484 also establish roles for the County Auditor-Controller, the California Department of Finance (the DOF) and the California State Controller's office in the dissolution process and the satisfaction of enforceable obligations of the Dissolved RDAs.

The County Auditor-Controller is charged with establishing a Redevelopment Property Tax Trust Fund (the RPTFF) for each Successor Agency and depositing into the RPTFF the amount of property taxes that would have been redevelopment property tax increment had the Dissolved RDA not been dissolved. The deposit in the RPTFF fund is to be used to pay to the Successor Agency the amounts due on the Successor Agency's enforceable obligations.

The Successor Agency is required to prepare a recognized obligation payment schedule (the ROPS) approved by the oversight board setting forth the amounts due for each enforceable obligation during each fiscal year. The ROPS is submitted to the DOF for approval. The County Auditor-Controller will make payments to the Successor Agency from the RPTFF fund based on the ROPS amount approved by the DOF. The ROPS is prepared in advance for the enforceable obligations due over the next fiscal year.

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

15. RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES (CONTINUED):

The process of making RPTFF deposits to be used to pay enforceable obligations of the Dissolved RDA will continue until all enforceable obligations have been paid in full and all non-housing assets of the Dissolved RDA have been liquidated.

As part of the dissolution process AB1484 required the Successor Agency to have due diligence reviews of both the low and moderate income housing funds and all other funds to be completed by October 15, 2012 and January 15, 2013 to compute the funds (cash) which were not needed by the Successor Agency to be retained to pay for existing enforceable obligations. These funds were to be remitted to the CAC after the DOF completed its review of the due diligence reviews. The Successor Agency remitted \$3,937,969 to the CAC on December 11, 2012 for low and moderate income housing funds due diligence review. The Successor Agency remitted \$10,738,150 on April 30, 2013 for all other funds.

The DOF issued a Finding of Completion on May 24, 2013 in which DOF concurred that the Successor Agency has made full payments of any payments required as a result of the due diligence reviews. The Finding of Completion allowed the placement of loan agreements between the former redevelopment agency and the City on the ROPS, as an enforceable obligation, provided the oversight board makes a finding that the loan was for legitimate redevelopment purposes. Loan repayments could begin in the 2014-15 fiscal year as governed by the criteria in the health and code safety section. The oversight board adopted Resolution No. OBSARDA 2013-003 which amended and restated the cooperation agreement between the City and the former RDA as for legitimate redevelopment purposes and therefore, should be recognized as enforceable obligations. The DOF will consider the enforceability of these loan agreements once repayments requests are placed on the ROPS. When the repayments begin, 20% of the repayments of the loan agreement amounts are to be allocated to the Low and Moderate Income Housing Fund. At June 30, 2016, the long-term advances to the Successor Agency totaled \$1,900,000. In the financial statements, 80 percent of the advance and related interest are reported in the General Fund and General Capital Financing Capital Projects Fund, and 20% in the Housing Authority Special Revenue Fund.

The State Controller of the State of California has been directed to review the propriety of any transfers of assets between Dissolved RDA 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. The State Controller has completed its review on August 18, 2014 and did not identify unallowable transfers of assets that occurred during the audit between the former RDA, the City and or other public agencies.

CITY OF HIGHLAND

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

15. RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES (CONTINUED):

Management believes, in consultation with legal counsel, that the obligations of the Dissolved RDA due to the City are valid enforceable obligations payable by the Successor Agency under the requirements of the Dissolution Act and AB 1484. 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.

During fiscal year ended June 30, 2016, the DOF approved the transfer of bond proceeds to the City of Highland. Accordingly, the Successor Agency of the Highland Redevelopment Agency transferred cash and investments of 13,616,311 and \$2,929,461 to the City and Housing Authority, respectively. These transfers are presented as extraordinary items in the accompanying financial statements.

16. RESTATEMENT OF NET POSITION:

The net position of the governmental activities was increased by \$1,087,356 to \$262,376,302 to increase capital assets for prior year expenditures that were not capitalized.

17. SUBSEQUENT EVENTS:

In October 2016, the City entered into a settlement agreement for attorney's fees and costs in the amount of \$1,325,000 for a lawsuit filed against the City in July 2014. This amount is included with the accounts payable balances in the general fund.

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through November 7, 2016, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HIGHLAND

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Last Ten Fiscal Years*

Fiscal year ended	2016	2015
Measurement period	June 30, 2015	June 30, 2014
Plan's proportion of the net pension liability	0.11379%	0.12329%
Plan's proportionate share of the net pension liability	\$ 3,121,917	\$ 3,047,168
Plan's covered - employee payroll	\$ 2,437,659	\$ 2,426,611
Plan's proportionate share of the net pension liability as a percentage of covered - employee payroll	128.07%	125.57%
Plan's proportionate share of the fiduciary net position as a percentage of the Plan's total pension liability	78.40%	79.19%
Plan's proportionate share of aggregate employer contributions	\$ 424,679	\$ 313,594

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

GASB 69, 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% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

* - Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown.

CITY OF HIGHLAND
SCHEDULE OF CONTRIBUTIONS

Last Ten Fiscal Years*

Fiscal year ended	2016	2015
Contractually required contribution (actuarially determined)	\$ 445,379	\$ 395,286
Contributions in relation to the actuarially determined contributions	(445,379)	(395,286)
Contribution deficiency (excess)	\$ -	\$ -
Covered - employee payroll	\$ 2,518,215	\$ 2,437,659
Contributions as a percentage of covered - employee payroll	17.69%	16.22%

Notes to Schedule:

Valuation Date 6/30/2013

Methods and Assumptions Used to Determine Contribution Rates:

Cost-sharing employers	Entry age **
Amortization method	Level percentage of payroll, closed**
Asset valuation method	Market Value***
Inflation	2.75%**
Salary increases	3.30% to 14.20% depending on age, service, and type of employment; including inflation of 3.00%**
Investment rate of return	7.50%, net of pension plan investment expense, including inflation**
Retirement age	50 years (2%@55), 52 (2%@62)**
Mortality	Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board, first used in the June 30, 2009 valuation. For purposes of the post-retirement mortality rates, those revised rates include 5 years of projected on-going mortality improvement using Scale AA published by the Society of Actuaries until June 30, 2010. There is no margin for future mortality improvement beyond the valuation date.**

* - Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown.

** - The valuation for June 30, 2012 (applicable to fiscal year ended June 30, 2015) included the same actuarial assumptions.

*** - The valuation for June 30, 2012 (applicable to fiscal year ended June 30, 2015) valued assets using a 15-Year Smoothed Market method.

CITY OF HIGHLAND

SCHEDULE OF FUNDING PROGRESS

For the Fiscal Year Ended June 30, 2016

OTHER POST-EMPLOYMENT BENEFITS PLAN

Actuarial Valuation Date	Actuarial Asset Value (a)	Entry Age Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b) - (a)	Funded Ratio AVA (a)/(b)	Covered Payroll (c)	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll [(b)-(a)]/(c)
07/01/09	\$ -	\$ 394,460	\$ 394,460	0.00%	\$ 2,562,490	15.39%
07/01/12	\$ -	\$ 506,596	\$ 506,596	0.00%	\$ 2,554,160	19.83%
07/01/15	\$ -	\$ 1,252,914	\$ 1,252,914	0.00%	\$ 3,024,508	41.43%

BUDGETARY COMPARISON SCHEDULES

GENERAL FUND

The General Fund has been classified as a major fund and is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund.

SPECIAL REVENUE FUNDS

The Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for a particular purpose. The following Special Revenue funds have been classified as major funds in the accompanying financial statements:

Measure I - In June 1990, the taxpayers voted for added taxes on gasoline to provide additional monies by approving a one-half cent sales tax increase. In 2010, the taxpayers voted to extend this tax increase until 2040. These funds are kept locally for major road and transportation expenses and are disbursed to the City by San Bernardino Associated Governments (SANBAG).

Fire Department - This fund accounts for all revenues and expenditures relating to the fire department. The City contracts with the State (Cal-Fire) for this service.

Grants Fund - This fund is used to account for non-federal grants and joint projects with municipalities that are not required to be accounted for in its own fund. Examples of grants include; SLPP, SR2S, BTA and Indian Gaming Grants.

Major Grants Fund - This fund is used to account for federal grants that are not required to be accounted for in its own fund. Accounting for these grants in one fund is more efficient and manageable. Examples include; HBP, HSIP, PNRS, TE, SRTS and the State Homeland Security Grant programs.

CITY OF HIGHLAND

Budgetary Comparison Schedule
General Fund

For the Fiscal Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Taxes:				
Secured property taxes	\$ 3,656,250	\$ 3,656,250	\$ 3,257,272	\$ (398,978)
Unsecured property taxes	-	-	127,579	127,579
In-lieu sales tax	635,000	635,000	137,586	(497,414)
Other property taxes	-	-	144,988	144,988
Sales and use tax	1,765,740	1,765,740	2,224,734	458,994
Extraction tax	390,000	390,000	337,336	(52,664)
In-lieu motor vehicle license fees	4,100,000	4,100,000	4,295,161	195,161
Transient occupancy tax	250,000	250,000	274,410	24,410
Franchise fees	1,506,500	1,506,500	1,587,761	81,261
Property transfer tax	100,000	100,000	134,679	34,679
Total taxes	<u>12,403,490</u>	<u>12,403,490</u>	<u>12,521,506</u>	<u>118,016</u>
Licenses and permits:				
Building permits	467,200	467,200	587,898	120,698
Miscellaneous permits	70,000	70,000	66,173	(3,827)
Total licenses and permits	<u>537,200</u>	<u>537,200</u>	<u>654,071</u>	<u>116,871</u>
Intergovernmental:				
Motor vehicle license fees	-	-	21,922	21,922
Grants	39,500	39,500	51,300	11,800
Total intergovernmental	<u>39,500</u>	<u>39,500</u>	<u>73,222</u>	<u>33,722</u>
Charges for services:				
Business license fees	420,400	420,400	196,821	(223,579)
Planning fees	250,000	250,000	680,445	430,445
Engineering fees	148,000	148,000	216,767	68,767
Other charges	303,000	303,000	336,048	33,048
Total charges for services	<u>1,121,400</u>	<u>1,121,400</u>	<u>1,430,081</u>	<u>308,681</u>
Fines and forfeitures	102,500	102,500	115,565	13,065
Investment income	10,000	10,000	37,330	27,330
Miscellaneous	322,615	322,615	612,496	289,881
TOTAL REVENUES	<u>14,536,705</u>	<u>14,536,705</u>	<u>15,444,271</u>	<u>907,566</u>

See accompanying note to required supplementary information.

(Continued)

CITY OF HIGHLAND

Budgetary Comparison Schedule (Continued)
General Fund

For the Fiscal Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
EXPENDITURES:				
Current:				
General government:				
City Council	\$ 169,645	\$ 202,645	\$ 191,240	\$ 11,405
City Clerk	277,320	277,320	236,542	40,778
General government	755,690	913,690	2,237,681	(1,323,991)
Personnel	66,325	66,325	58,008	8,317
Finance	571,410	571,410	502,837	68,573
Engineering	334,615	443,615	443,580	35
Planning	934,915	1,073,505	892,589	180,916
Public services	479,885	479,885	410,048	69,837
Building and safety	544,805	548,395	448,330	100,065
Code enforcement	612,125	615,715	549,655	66,060
Parks	1,026,585	1,026,585	977,059	49,526
Graffiti	112,800	112,800	98,862	13,938
Community volunteer services	71,240	71,240	58,146	13,094
Trails	6,350	8,300	8,285	15
Total general government	<u>5,963,710</u>	<u>6,411,430</u>	<u>7,112,862</u>	<u>(701,432)</u>
Public safety:				
Police department	8,355,220	8,355,220	8,158,703	196,517
Animal control	441,855	441,855	388,573	53,282
Total public safety	<u>8,797,075</u>	<u>8,797,075</u>	<u>8,547,276</u>	<u>249,799</u>
TOTAL EXPENDITURES	<u>14,760,785</u>	<u>15,208,505</u>	<u>15,660,138</u>	<u>(451,633)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(224,080)</u>	<u>(671,800)</u>	<u>(215,867)</u>	<u>455,933</u>
OTHER FINANCING USES:				
Transfers out	<u>(1,104,070)</u>	<u>(1,104,070)</u>	<u>(1,091,884)</u>	<u>12,186</u>
TOTAL OTHER FINANCING USES	<u>(1,104,070)</u>	<u>(1,104,070)</u>	<u>(1,091,884)</u>	<u>12,186</u>
NET CHANGE IN FUND BALANCE	(1,328,150)	(1,775,870)	(1,307,751)	468,119
FUND BALANCE - BEGINNING OF YEAR	<u>8,482,611</u>	<u>8,482,611</u>	<u>8,482,611</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 7,154,461</u>	<u>\$ 6,706,741</u>	<u>\$ 7,174,860</u>	<u>\$ 468,119</u>

See accompanying note to required supplementary information.

CITY OF HIGHLAND

Budgetary Comparison Schedule
Measure I Special Revenue Fund

For the Fiscal Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ 818,000	\$ 818,000	\$ 929,430	\$ 111,430
Investment income	12,500	12,500	28,573	16,073
Miscellaneous	-	-	3,200	3,200
TOTAL REVENUES	830,500	830,500	961,203	130,703
EXPENDITURES:				
Current:				
Highways and streets	190,000	190,000	63,431	126,569
Capital outlay	2,687,000	2,687,000	268,390	2,418,610
TOTAL EXPENDITURES	2,877,000	2,877,000	331,821	2,545,179
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,046,500)	(2,046,500)	629,382	2,675,882
FUND BALANCE - BEGINNING OF YEAR	6,945,095	6,945,095	6,945,095	-
FUND BALANCE - END OF YEAR	\$ 4,898,595	\$ 4,898,595	\$ 7,574,477	\$ 2,675,882

See accompanying note to required supplementary information.

CITY OF HIGHLAND

Budgetary Comparison Schedule
Fire Department Special Revenue Fund

For the Fiscal Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Taxes	\$ 2,613,750	\$ 2,613,750	\$ 2,475,335	\$ (138,415)
Licenses and permits	35,000	35,000	30,115	(4,885)
Intergovernmental	261,365	261,365	468,425	207,060
Charges for services	452,270	452,270	520,531	68,261
Investment income	15,000	15,000	27,015	12,015
TOTAL REVENUES	3,377,385	3,377,385	3,521,421	144,036
EXPENDITURES:				
Current:				
General government	130,750	151,895	147,815	4,080
Public safety	2,269,065	2,615,870	2,175,129	440,741
Capital outlay	-	550,000	30,212	519,788
TOTAL EXPENDITURES	2,399,815	3,317,765	2,353,156	964,609
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	977,570	59,620	1,168,265	1,108,645
OTHER FINANCING SOURCES (USES):				
Transfers in	-	86,240	86,238	(2)
Transfers out	(1,087,230)	(1,257,080)	(1,061,332)	195,748
TOTAL OTHER FINANCING SOURCES (USES)	(1,087,230)	(1,170,840)	(975,094)	195,746
NET CHANGE IN FUND BALANCE	(109,660)	(1,111,220)	193,171	1,304,391
FUND BALANCE - BEGINNING OF YEAR	6,596,496	6,596,496	6,596,496	-
FUND BALANCE - END OF YEAR	\$ 6,486,836	\$ 5,485,276	\$ 6,789,667	\$ 1,304,391

See accompanying note to required supplementary information.

CITY OF HIGHLAND

Budgetary Comparison Schedule
Grants Special Revenue Fund

For the Fiscal Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES:				
Intergovernmental	\$ 4,103,000	\$ 4,103,000	\$ 7,079,281	\$ 2,976,281
Investment income	-	-	5,100	5,100
Miscellaneous	-	-	280	280
TOTAL REVENUES	4,103,000	4,103,000	7,084,661	2,981,661
EXPENDITURES:				
Current:				
Highways and streets	-	-	109,343	(109,343)
Capital outlay	5,353,000	5,353,000	629,716	4,723,284
TOTAL EXPENDITURES	5,353,000	5,353,000	739,059	4,613,941
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,250,000)	(1,250,000)	6,345,602	7,595,602
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	13,719	13,719
Transfers out	-	-	(35,063)	(35,063)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(21,344)	(21,344)
NET CHANGE IN FUND BALANCE	(1,250,000)	(1,250,000)	6,324,258	7,609,321
FUND BALANCE - BEGINNING OF YEAR	98,874	98,874	98,874	-
FUND BALANCE - END OF YEAR	\$ (1,151,126)	\$ (1,151,126)	\$ 6,423,132	\$ 7,609,321

See accompanying note to required supplementary information.

CITY OF HIGHLAND

Budgetary Comparison Schedule
Major Grants Special Revenue Fund

For the Fiscal Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ 4,272,000	\$ 4,272,000	\$ 8,255,188	\$ 3,983,188
TOTAL REVENUES	4,272,000	4,272,000	8,255,188	3,983,188
EXPENDITURES:				
Current:				
Highways and streets	-	-	8,886	(8,886)
Capital outlay	3,849,000	3,849,000	568,147	3,280,853
TOTAL EXPENDITURES	3,849,000	3,849,000	577,033	3,271,967
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	423,000	423,000	7,678,155	7,255,155
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	25,267	25,267
Transfers out	-	-	(2,877)	(2,877)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	22,390	22,390
NET CHANGE IN FUND BALANCE	423,000	423,000	7,700,545	7,277,545
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	(8,016,295)	(8,016,295)	(8,016,295)	-
FUND BALANCE (DEFICIT) - END OF YEAR	\$ (7,593,295)	\$ (7,593,295)	\$ (315,750)	\$ 7,277,545

See accompanying note to required supplementary information.

CITY OF HIGHLAND

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2016

1. BUDGETARY INFORMATION:

The City adopts an annual budget prepared on the modified accrual basis for of its governmental funds (e.g., General Fund, Special Revenue Funds and Capital Projects Funds), and on an accrual basis for its Internal Service Funds, which is consistent with generally accepted accounting principles (GAAP). The City Manager is required to prepare and submit to the City Council the annual budget of the City and administer it after adoption.

A two year budget was adopted by City Council on June 23, 2015 for fiscal years 2015-16 and 2016-17. City Manager approval is required for budget revisions within a department and City Council approval is required for budget revisions that affect the total appropriations of a department. Every fund, except for the General Fund and Capital Improvement Capital Projects Fund, is considered a department. For each department, total expenditures may not legally exceed total appropriations. All annual appropriations lapse at fiscal year end. Budgeted expenditure amounts represent original appropriations adjusted by \$3,786,290 for supplemental appropriations during the year ended June 30, 2016.

There were no budgeted appropriations for the FEMA Special Revenue Fund, which is used to account for all expenditures that are associated with unanticipated events that will most likely be reimbursed by FEMA and/or CAL EMA. Accordingly, no budgetary comparison for this fund is presented in the financial statements.

OTHER GOVERNMENTAL FUNDS

Special Revenue Funds

The following Special Revenue Funds have been classified as other governmental funds in the accompanying financial statements:

Traffic Safety - This fund accounts for the financial transactions as prescribed by the State of California statute on California Vehicle Code Fines. Revenues are collected by the County and remitted to the City for expenditures related to Traffic Safety such as crossing guards and traffic safety improvements.

Gas Tax - This fund accounts for the construction and maintenance of the roads and related road operations in the City. Financing is provided by the City's share of state gasoline taxes from the State of California Transportation Department. This fund also accounts for Prop 1B funds.

Article 3 - These are State funds provided through SANBAG as grants, and are to be used for bikeways & pedestrian ways.

Community Development Block Grant (CDBG) - Received from the County of San Bernardino. The grants are used to develop a viable urban community by providing decent housing and a suitable living environment. The City accomplishes this by providing properly maintained roads and taking care of target areas such as Ward Street and Cunningham Street through code enforcement services and neighborhood revitalization.

Development Impact Fees - AB 1600 requires a separate reporting of fees collected from individuals and developers building in the City. Fees collected include police facilities, fire facilities, general facilities, parks & recreation facilities, storm drains, streets/sidewalks, traffic control, bridges/culverts, streetlights, medians/landscaping and major arterials.

Developer Fees - These are fees collected from developers to finish tracts with streetlights, trees, street widening, signals, etc., to be done at a later time when areas are totally developed.

Landscape Maintenance District - Different areas of the City have been placed into the Landscape Maintenance District to maintain the landscaping surrounding a particular tract of homes. These funds are used to maintain that level of service that was previously provided by the developer.

Street Light District - This is a citywide assessment for service. These funds are collected to maintain street lights throughout the City. The City adds street lights as the need arises.

Community Trails District - This is funded by assessments to particular property owners who have access to the trails for usage by bicycles, horses, and citizens.

OTHER GOVERNMENTAL FUNDS (CONTINUED)

Special Revenue Funds (Continued)

Parks Maintenance District - Certain areas of the City that have access to the Canyon Oaks Park, Cunningham Park, Oak Creek Park & Seeley Park have been placed into the Parks Maintenance District. This assessment is for the maintenance of the parks.

FEMA - The FEMA fund is used to account for all expenditures in one fund that are associated with unanticipated events that will most likely be reimbursed by FEMA and/or Cal EMA.

Air Quality Management District (AQMD) - This fund is used to account for the City's share of vehicle registration fees that the State of California has allocated to address air quality concerns in Southern California. These monies are to be used in air quality maintenance programs locally and/or regionally.

Citizens Option for Public Safety Program (COPS) - This fund is used for front line police services including anti-gang and community crime prevention programs.

Street and Storm Drain Maintenance District - This is funded by special assessments for street and storm drain maintenance within a tract.

Justice Assistance Grant (JAG) - This grant is funded by the U. S. Department of Justice for local law enforcement purposes. This grant mainly aids in equipment purchases and special project over-time.

Paramedic Department - This fund accounts for the monies received through the medic tax. The medic tax partially funds the paramedic program. The City contracts with the State (Cal-Fire) for this service.

Housing Authority - This fund accounts for the housing funds and certain housing assets of the dissolved RDA after the date of dissolution.

Capital Projects Funds

The following Capital Projects Funds have been classified as other governmental funds in the accompanying financial statements:

Community Facilities Districts - The Greenspot Corridor (CFD 90-1) in the east end of the City has been placed into a CFD (Mello-Roos) to provide needed infrastructure, housing, and commercial retail growth to that area. Also to be provided are police and fire services. Tract 14326 (CFD 2001-1) is a residential Community Facilities District.

CITY OF HIGHLAND

COMBINING BALANCE SHEET
ALL OTHER GOVERNMENTAL FUNDS

June 30, 2016

	Special Revenue Funds	Community Facilities Districts Capital Projects Fund	Total Other Governmental Funds
ASSETS			
Cash and investments	\$ 14,511,216	\$ -	\$ 14,511,216
Receivables:			
Accounts	60,000	8,144	68,144
Interest	14,751	-	14,751
Property taxes	15,789	11,791	27,580
Loans	695,728	-	695,728
Due from other governments	929,775	-	929,775
Advance to Successor Agency	380,000	-	380,000
TOTAL ASSETS	<u>\$ 16,607,259</u>	<u>\$ 19,935</u>	<u>\$ 16,627,194</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 317,922	\$ 11,791	\$ 329,713
Accrued liabilities	30,250	-	30,250
Retention payable	6,388	-	6,388
Due to other funds	804,166	8,144	812,310
TOTAL LIABILITIES	<u>1,158,726</u>	<u>19,935</u>	<u>1,178,661</u>
DEFERRED INFLOWS OF RESOURCES:			
Unavailable revenues	<u>905,468</u>	<u>-</u>	<u>905,468</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>905,468</u>	<u>-</u>	<u>905,468</u>
FUND BALANCES:			
Restricted	14,752,805	-	14,752,805
Unassigned	(209,740)	-	(209,740)
TOTAL FUND BALANCES	<u>14,543,065</u>	<u>-</u>	<u>14,543,065</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 16,607,259</u>	<u>\$ 19,935</u>	<u>\$ 16,627,194</u>

CITY OF HIGHLAND

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - ALL OTHER GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2016

	Special Revenue Funds	Community Facilities Districts Capital Projects Fund	Total Other Governmental Funds
REVENUES:			
Taxes	\$ 1,074,093	\$ -	\$ 1,074,093
Intergovernmental	2,188,676	-	2,188,676
Charges for services	48,675	-	48,675
Fines and forfeitures	66,472	-	66,472
Investment income	56,442	-	56,442
Rental income	120,691	-	120,691
Miscellaneous	34,564	8,144	42,708
TOTAL REVENUES	<u>3,589,613</u>	<u>8,144</u>	<u>3,597,757</u>
EXPENDITURES:			
Current:			
General government	274,613	8,144	282,757
Highways and streets	2,524,301	23,432	2,547,733
Public safety	1,686,243	-	1,686,243
Capital outlay	150,433	-	150,433
TOTAL EXPENDITURES	<u>4,635,590</u>	<u>31,576</u>	<u>4,667,166</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,045,977)</u>	<u>(23,432)</u>	<u>(1,069,409)</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	2,288,039	-	2,288,039
Transfers out	(86,238)	-	(86,238)
TOTAL OTHER FINANCING SOURCES (USES)	<u>2,201,801</u>	<u>-</u>	<u>2,201,801</u>
CHANGE IN FUND BALANCES, BEFORE EXTRAORDINARY ITEM	1,155,824	(23,432)	1,132,392
EXTRAORDINARY ITEM:			
Bond proceeds transferred from Successor Agency	2,929,461	-	2,929,461
NET CHANGE IN FUND BALANCES	4,085,285	(23,432)	4,061,853
FUND BALANCES - BEGINNING OF YEAR	<u>10,457,780</u>	<u>23,432</u>	<u>10,481,212</u>
FUND BALANCES - END OF YEAR	<u>\$ 14,543,065</u>	<u>\$ -</u>	<u>\$ 14,543,065</u>



CITY OF HIGHLAND

COMBINING BALANCE SHEET
Other Governmental Special Revenue Funds

June 30, 2016

	Traffic Safety	Gas Tax	Article 3
ASSETS			
Cash and investments	\$ 283,080	\$ 2,782,110	\$ -
Receivables:			
Accounts	-	-	-
Interest	476	2,317	-
Property taxes	-	-	-
Loans	-	-	-
Due from other governments	21,284	-	194,890
Advance to Successor Agency	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 304,840</u>	<u>\$ 2,784,427</u>	<u>\$ 194,890</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 9,945	\$ 46,397	\$ 53,054
Accrued liabilities	-	17,140	-
Retention payable	-	-	2,310
Due to other funds	-	-	139,526
	<u>-</u>	<u>-</u>	<u>139,526</u>
TOTAL LIABILITIES	<u>9,945</u>	<u>63,537</u>	<u>194,890</u>
DEFERRED INFLOWS OF RESOURCES:			
Unavailable revenues	-	-	194,890
	<u>-</u>	<u>-</u>	<u>194,890</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>194,890</u>
FUND BALANCES (DEFICITS):			
Restricted for:			
Public safety	294,895	-	-
Highways and streets	-	2,720,890	-
Parks and recreation	-	-	-
Low and moderate income housing	-	-	-
Other purposes	-	-	-
Unassigned	-	-	(194,890)
	<u>-</u>	<u>-</u>	<u>(194,890)</u>
TOTAL FUND BALANCES (DEFICITS)	<u>294,895</u>	<u>2,720,890</u>	<u>(194,890)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 304,840</u>	<u>\$ 2,784,427</u>	<u>\$ 194,890</u>

CDBG	Development Impact Fees	Developer Fees	Landscape Maintenance District	Street Light District	Community Trails District
\$ -	\$ 3,857,365	\$ 3,068,939	\$ 222,971	\$ 43,024	\$ 367
-	-	-	-	-	-
-	2,647	4,350	153	-	-
-	-	-	3,411	4,132	119
-	-	-	-	-	-
118,310	31	-	3,339	-	-
-	-	-	-	-	-
<u>\$ 118,310</u>	<u>\$ 3,860,043</u>	<u>\$ 3,073,289</u>	<u>\$ 229,874</u>	<u>\$ 47,156</u>	<u>\$ 486</u>
\$ 16,334	\$ 94,149	\$ -	\$ 25,406	\$ 47,156	\$ -
5,784	-	748	1,673	-	-
-	4,078	-	-	-	-
96,192	-	-	-	-	-
<u>118,310</u>	<u>98,227</u>	<u>748</u>	<u>27,079</u>	<u>47,156</u>	<u>-</u>
<u>14,850</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>14,850</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	3,072,541	-	-	-
-	3,761,816	-	-	-	-
-	-	-	-	-	486
-	-	-	-	-	-
-	-	-	202,795	-	-
(14,850)	-	-	-	-	-
<u>(14,850)</u>	<u>3,761,816</u>	<u>3,072,541</u>	<u>202,795</u>	<u>-</u>	<u>486</u>
<u>\$ 118,310</u>	<u>\$ 3,860,043</u>	<u>\$ 3,073,289</u>	<u>\$ 229,874</u>	<u>\$ 47,156</u>	<u>\$ 486</u>

(Continued)

CITY OF HIGHLAND

COMBINING BALANCE SHEET (CONTINUED)
Other Governmental Special Revenue Funds

June 30, 2016

	Parks Maintenance District	FEMA	AQMD
ASSETS			
Cash and investments	\$ 109,677	\$ -	\$ 557,097
Receivables:			
Accounts	-	-	-
Interest	-	-	644
Property taxes	823	-	-
Loans	-	-	-
Due from other governments	-	565,746	18,589
Advance to Successor Agency	-	-	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 110,500</u>	<u>\$ 565,746</u>	<u>\$ 576,330</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 6,081	\$ -	\$ 5,885
Accrued liabilities	1,673	-	-
Retention payable	-	-	-
Due to other funds	-	565,746	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>7,754</u>	<u>565,746</u>	<u>5,885</u>
DEFERRED INFLOWS OF RESOURCES:			
Unavailable revenues	-	-	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS):			
Restricted for:			
Public safety	-	-	-
Highways and streets	-	-	570,445
Parks and recreation	102,746	-	-
Low and moderate income housing	-	-	-
Other purposes	-	-	-
Unassigned	-	-	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES (DEFICITS)	<u>102,746</u>	<u>-</u>	<u>570,445</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 110,500</u>	<u>\$ 565,746</u>	<u>\$ 576,330</u>

<u>COPS</u>	<u>Street and Strom Drain Maintenance District</u>	<u>Justice Assistance Grant</u>	<u>Paramedic Department</u>	<u>Housing Authority</u>	<u>Total Other Governmental Special Revenue Funds</u>
\$ -	\$ 356,755	\$ 24,706	\$ -	\$ 3,205,125	\$ 14,511,216
-	-	-	-	60,000	60,000
-	401	-	-	3,763	14,751
-	140	-	7,164	-	15,789
-	-	-	-	695,728	695,728
-	-	-	7,586	-	929,775
-	-	-	-	380,000	380,000
<u>\$ -</u>	<u>\$ 357,296</u>	<u>\$ 24,706</u>	<u>\$ 14,750</u>	<u>\$ 4,344,616</u>	<u>\$ 16,607,259</u>
\$ -	\$ -	\$ -	\$ 12,048	\$ 1,467	\$ 317,922
-	-	-	-	3,232	30,250
-	-	-	-	-	6,388
-	-	-	2,702	-	804,166
-	-	-	14,750	4,699	1,158,726
-	-	-	-	695,728	905,468
-	-	-	-	695,728	905,468
-	-	24,706	-	-	3,392,142
-	357,296	-	-	-	7,410,447
-	-	-	-	-	103,232
-	-	-	-	3,644,189	3,644,189
-	-	-	-	-	202,795
-	-	-	-	-	(209,740)
-	357,296	24,706	-	3,644,189	14,543,065
<u>\$ -</u>	<u>\$ 357,296</u>	<u>\$ 24,706</u>	<u>\$ 14,750</u>	<u>\$ 4,344,616</u>	<u>\$ 16,607,259</u>

CITY OF HIGHLAND

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Other Governmental Special Revenue Funds

For the Fiscal Year Ended June 30, 2016

	Traffic Safety	Gas Tax	Article 3
REVENUES:			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental	-	1,178,792	-
Charges for services	-	-	-
Fines and forfeitures	66,472	-	-
Investment income	1,228	9,553	-
Rental income	-	-	-
Miscellaneous	-	15,252	-
TOTAL REVENUES	<u>67,700</u>	<u>1,203,597</u>	<u>-</u>
EXPENDITURES:			
Current:			
General government	-	-	-
Highways and streets	-	1,198,738	73,116
Public safety	287,685	-	-
Capital outlay	-	-	-
TOTAL EXPENDITURES	<u>287,685</u>	<u>1,198,738</u>	<u>73,116</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(219,985)</u>	<u>4,859</u>	<u>(73,116)</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	-	2,877	-
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>2,877</u>	<u>-</u>
CHANGE IN FUND BALANCES, BEFORE EXTRAORDINARY ITEM	<u>(219,985)</u>	<u>7,736</u>	<u>(73,116)</u>
EXTRAORDINARY ITEM:			
Bond proceeds transferred from Successor Agency	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>(219,985)</u>	<u>7,736</u>	<u>(73,116)</u>
FUND BALANCES (DEFICITS) - BEGINNING OF YEAR	<u>514,880</u>	<u>2,713,154</u>	<u>(121,774)</u>
FUND BALANCES (DEFICITS) - END OF YEAR	<u>\$ 294,895</u>	<u>\$ 2,720,890</u>	<u>\$ (194,890)</u>

CDBG	Development Impact Fees	Developer Fees	Landscape Maintenance District	Street Light District	Community Trails District
\$ -	\$ -	\$ -	\$ 275,643	\$ 334,088	\$ 9,600
-	-	-	-	-	-
243,487	-	-	-	-	-
-	28,768	19,907	-	-	-
-	-	-	-	-	-
-	13,242	12,322	447	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>243,487</u>	<u>42,010</u>	<u>32,229</u>	<u>276,090</u>	<u>334,088</u>	<u>9,600</u>
-	-	-	-	-	-
185,159	2,148	9,838	373,887	534,571	9,539
-	-	-	-	-	-
<u>45,185</u>	<u>101,711</u>	<u>3,537</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>230,344</u>	<u>103,859</u>	<u>13,375</u>	<u>373,887</u>	<u>534,571</u>	<u>9,539</u>
<u>13,143</u>	<u>(61,849)</u>	<u>18,854</u>	<u>(97,797)</u>	<u>(200,483)</u>	<u>61</u>
-	-	-	51,527	1,116,328	-
-	-	-	-	-	-
-	-	-	<u>51,527</u>	<u>1,116,328</u>	<u>-</u>
13,143	(61,849)	18,854	(46,270)	915,845	61
-	-	-	-	-	-
13,143	(61,849)	18,854	(46,270)	915,845	61
(27,993)	3,823,665	3,053,687	249,065	(915,845)	425
<u>\$ (14,850)</u>	<u>\$ 3,761,816</u>	<u>\$ 3,072,541</u>	<u>\$ 202,795</u>	<u>\$ -</u>	<u>\$ 486</u>

(Continued)

CITY OF HIGHLAND

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)
Other Governmental Special Revenue Funds

For the Fiscal Year Ended June 30, 2016

	Parks Maintenance District	FEMA	AQMD
REVENUES:			
Taxes	\$ 66,511	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental	-	565,746	69,089
Charges for services	-	-	-
Fines and forfeitures	-	-	-
Investment income	-	-	1,677
Rental income	-	-	-
Miscellaneous	-	-	-
TOTAL REVENUES	<u>66,511</u>	<u>565,746</u>	<u>70,766</u>
EXPENDITURES:			
Current:			
General government	-	-	-
Highways and streets	104,039	-	31,066
Public safety	-	-	-
Capital outlay	-	-	-
TOTAL EXPENDITURES	<u>104,039</u>	<u>-</u>	<u>31,066</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(37,528)</u>	<u>565,746</u>	<u>39,700</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	40,357	19,494	15,618
Transfers out	-	(86,238)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>40,357</u>	<u>(66,744)</u>	<u>15,618</u>
CHANGE IN FUND BALANCES, BEFORE EXTRAORDINARY ITEM	2,829	499,002	55,318
EXTRAORDINARY ITEM:			
Bond proceeds transferred from Successor Agency	-	-	-
NET CHANGE IN FUND BALANCES	2,829	499,002	55,318
FUND BALANCES (DEFICITS) - BEGINNING OF YEAR	<u>99,917</u>	<u>(499,002)</u>	<u>515,127</u>
FUND BALANCES (DEFICITS) - END OF YEAR	<u>\$ 102,746</u>	<u>\$ -</u>	<u>\$ 570,445</u>

COPS	Street and Strom Drain Maintenance District	Justice Assistance Grant	Paramedic Department	Housing Authority	Total Other Governmental Special Revenue Funds
\$ -	\$ 32,778	\$ -	\$ 355,473	\$ -	\$ 1,074,093
-	-	-	-	-	-
114,640	-	16,922	-	-	2,188,676
-	-	-	-	-	48,675
-	-	-	-	-	66,472
-	968	-	-	17,005	56,442
-	-	-	-	120,691	120,691
-	-	-	-	19,312	34,564
<u>114,640</u>	<u>33,746</u>	<u>16,922</u>	<u>355,473</u>	<u>157,008</u>	<u>3,589,613</u>
-	-	-	135,853	138,760	274,613
-	2,200	-	-	-	2,524,301
114,640	-	22,460	1,261,458	-	1,686,243
-	-	-	-	-	150,433
<u>114,640</u>	<u>2,200</u>	<u>22,460</u>	<u>1,397,311</u>	<u>138,760</u>	<u>4,635,590</u>
-	31,546	(5,538)	(1,041,838)	18,248	(1,045,977)
-	-	-	1,041,838	-	2,288,039
-	-	-	-	-	(86,238)
-	-	-	1,041,838	-	2,201,801
-	31,546	(5,538)	-	18,248	1,155,824
-	-	-	-	2,929,461	2,929,461
-	31,546	(5,538)	-	2,947,709	4,085,285
-	325,750	30,244	-	696,480	10,457,780
<u>\$ -</u>	<u>\$ 357,296</u>	<u>\$ 24,706</u>	<u>\$ -</u>	<u>\$ 3,644,189</u>	<u>\$ 14,543,065</u>

CITY OF HIGHLAND

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Traffic Safety Special Revenue Fund

For the Fiscal Year Ended June 30, 2016

	Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Fines and forfeitures	\$ 160,000	\$ 66,472	\$ (93,528)
Investment income	750	1,228	478
TOTAL REVENUES	<u>160,750</u>	<u>67,700</u>	<u>(93,050)</u>
EXPENDITURES:			
Current:			
Public safety	<u>432,000</u>	<u>287,685</u>	<u>144,315</u>
TOTAL EXPENDITURES	<u>432,000</u>	<u>287,685</u>	<u>144,315</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(271,250)	(219,985)	51,265
FUND BALANCE - BEGINNING OF YEAR	<u>514,880</u>	<u>514,880</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 243,630</u></u>	<u><u>\$ 294,895</u></u>	<u><u>\$ 51,265</u></u>

CITY OF HIGHLAND

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Gas Tax Special Revenue Fund

For the Fiscal Year Ended June 30, 2016

	Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Intergovernmental	\$ 1,184,405	\$ 1,178,792	\$ (5,613)
Investment income	5,000	9,553	4,553
Miscellaneous	-	15,252	15,252
TOTAL REVENUES	<u>1,189,405</u>	<u>1,203,597</u>	<u>14,192</u>
EXPENDITURES:			
Current:			
Highways and streets	<u>2,536,920</u>	<u>1,198,738</u>	<u>1,338,182</u>
TOTAL EXPENDITURES	<u>2,536,920</u>	<u>1,198,738</u>	<u>1,338,182</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,347,515)</u>	<u>4,859</u>	<u>1,352,374</u>
OTHER FINANCING SOURCES:			
Transfers in	<u>-</u>	<u>2,877</u>	<u>2,877</u>
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>2,877</u>	<u>2,877</u>
NET CHANGE IN FUND BALANCE	<u>(1,347,515)</u>	<u>7,736</u>	<u>1,355,251</u>
FUND BALANCE - BEGINNING OF YEAR	<u>2,713,154</u>	<u>2,713,154</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,365,639</u>	<u>\$ 2,720,890</u>	<u>\$ 1,355,251</u>

CITY OF HIGHLAND

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Article 3 Special Revenue Fund

For the Fiscal Year Ended June 30, 2016

	Final Budget	Actual	Variance Positive (Negative)
REVENUES	\$ 742,000	\$ -	\$ (742,000)
TOTAL REVENUES	<u>742,000</u>	<u>-</u>	<u>(742,000)</u>
EXPENDITURES:			
Current:			
Highways and streets	<u>742,000</u>	<u>73,116</u>	<u>668,884</u>
TOTAL EXPENDITURES	<u>742,000</u>	<u>73,116</u>	<u>668,884</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(73,116)	(73,116)
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	<u>(121,774)</u>	<u>(121,774)</u>	<u>-</u>
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ (121,774)</u>	<u>\$ (194,890)</u>	<u>\$ (73,116)</u>

CITY OF HIGHLAND

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Community Development Block Grant Special Revenue Fund

For the Fiscal Year Ended June 30, 2016

	Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Intergovernmental	\$ 873,600	\$ 243,487	\$ (630,113)
TOTAL REVENUES	<u>873,600</u>	<u>243,487</u>	<u>(630,113)</u>
EXPENDITURES:			
Current:			
Highways and streets	199,600	185,159	14,441
Capital outlay	<u>674,000</u>	<u>45,185</u>	<u>628,815</u>
TOTAL EXPENDITURES	<u>873,600</u>	<u>230,344</u>	<u>643,256</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	13,143	13,143
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	<u>(27,993)</u>	<u>(27,993)</u>	<u>-</u>
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ (27,993)</u>	<u>\$ (14,850)</u>	<u>\$ 13,143</u>

CITY OF HIGHLAND

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Development Impact Fees Special Revenue Fund

For the Fiscal Year Ended June 30, 2016

	Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Charges for services	\$ 100,000	\$ 28,768	\$ (71,232)
Investment income	20,000	13,242	(6,758)
	<u>120,000</u>	<u>42,010</u>	<u>(77,990)</u>
TOTAL REVENUES			
EXPENDITURES:			
Current:			
Highways and streets	-	2,148	(2,148)
Capital outlay	1,086,000	101,711	984,289
	<u>1,086,000</u>	<u>103,859</u>	<u>982,141</u>
TOTAL EXPENDITURES			
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(966,000)	(61,849)	904,151
FUND BALANCE - BEGINNING OF YEAR	<u>3,823,665</u>	<u>3,823,665</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 2,857,665</u>	<u>\$ 3,761,816</u>	<u>\$ 904,151</u>

CITY OF HIGHLAND

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Developer Fees Special Revenue Fund

For the Fiscal Year Ended June 30, 2016

	Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Charges for services	\$ 10,000	\$ 19,907	\$ 9,907
Investment income	9,000	12,322	3,322
TOTAL REVENUES	<u>19,000</u>	<u>32,229</u>	<u>13,229</u>
EXPENDITURES:			
Current:			
Highways and streets	101,700	9,838	91,862
Capital outlay	-	3,537	(3,537)
TOTAL EXPENDITURES	<u>101,700</u>	<u>13,375</u>	<u>88,325</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(82,700)	18,854	101,554
FUND BALANCE - BEGINNING OF YEAR	<u>3,053,687</u>	<u>3,053,687</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 2,970,987</u>	<u>\$ 3,072,541</u>	<u>\$ 101,554</u>

CITY OF HIGHLAND

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Landscape Maintenance District Special Revenue Fund

For the Fiscal Year Ended June 30, 2016

	Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Taxes	\$ 225,000	\$ 275,643	\$ 50,643
Investment income	1,000	447	(553)
TOTAL REVENUES	<u>226,000</u>	<u>276,090</u>	<u>50,090</u>
EXPENDITURES:			
Current:			
Highways and streets	461,140	373,887	87,253
TOTAL EXPENDITURES	<u>461,140</u>	<u>373,887</u>	<u>87,253</u>
EXCESS OF REVENUES OVER (UUNDER) EXPENDITURES	<u>(235,140)</u>	<u>(97,797)</u>	<u>137,343</u>
OTHER FINANCING SOURCES:			
Transfers in	20,000	51,527	31,527
TOTAL OTHER FINANCING SOURCES	<u>20,000</u>	<u>51,527</u>	<u>31,527</u>
NET CHANGE IN FUND BALANCE	(215,140)	(46,270)	168,870
FUND BALANCE - BEGINNING OF YEAR	<u>249,065</u>	<u>249,065</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 33,925</u>	<u>\$ 202,795</u>	<u>\$ 168,870</u>

CITY OF HIGHLAND

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Street Light District Special Revenue Fund

For the Fiscal Year Ended June 30, 2016

	Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Taxes	\$ 360,000	\$ 334,088	\$ (25,912)
TOTAL REVENUES	<u>360,000</u>	<u>334,088</u>	<u>(25,912)</u>
EXPENDITURES:			
Current:			
Highways and streets	591,000	534,571	56,429
TOTAL EXPENDITURES	<u>591,000</u>	<u>534,571</u>	<u>56,429</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(231,000)</u>	<u>(200,483)</u>	<u>30,517</u>
OTHER FINANCING SOURCES:			
Transfers in	1,300,000	1,116,328	(183,672)
TOTAL OTHER FINANCING SOURCES	<u>1,300,000</u>	<u>1,116,328</u>	<u>(183,672)</u>
NET CHANGE IN FUND BALANCE	1,069,000	915,845	(153,155)
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	<u>(915,845)</u>	<u>(915,845)</u>	<u>-</u>
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ 153,155</u>	<u>\$ -</u>	<u>\$ (153,155)</u>

CITY OF HIGHLAND

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Community Trails District Special Revenue Fund

For the Fiscal Year Ended June 30, 2016

	Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Taxes	\$ 8,250	\$ 9,600	\$ 1,350
TOTAL REVENUES	<u>8,250</u>	<u>9,600</u>	<u>1,350</u>
EXPENDITURES:			
Current:			
Highways and streets	<u>17,500</u>	<u>9,539</u>	<u>7,961</u>
TOTAL EXPENDITURES	<u>17,500</u>	<u>9,539</u>	<u>7,961</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(9,250)	61	9,311
FUND BALANCE - BEGINNING OF YEAR	<u>425</u>	<u>425</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ (8,825)</u></u>	<u><u>\$ 486</u></u>	<u><u>\$ 9,311</u></u>

CITY OF HIGHLAND

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Parks Maintenance District Special Revenue Fund

For the Fiscal Year Ended June 30, 2016

	Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Taxes	\$ 65,000	\$ 66,511	\$ 1,511
TOTAL REVENUES	<u>65,000</u>	<u>66,511</u>	<u>1,511</u>
EXPENDITURES:			
Current:			
Highways and streets	131,300	104,039	27,261
TOTAL EXPENDITURES	<u>131,300</u>	<u>104,039</u>	<u>27,261</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(66,300)</u>	<u>(37,528)</u>	<u>28,772</u>
OTHER FINANCING SOURCES:			
Transfers in	52,520	40,357	(12,163)
TOTAL OTHER FINANCING SOURCES	<u>52,520</u>	<u>40,357</u>	<u>(12,163)</u>
NET CHANGE IN FUND BALANCE	(13,780)	2,829	16,609
FUND BALANCE - BEGINNING OF YEAR	<u>99,917</u>	<u>99,917</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 86,137</u>	<u>\$ 102,746</u>	<u>\$ 16,609</u>

CITY OF HIGHLAND

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Air Quality Management District Special Revenue Fund

For the Fiscal Year Ended June 30, 2016

	Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Intergovernmental	\$ 60,000	\$ 69,089	\$ 9,089
Investment income	750	1,677	927
TOTAL REVENUES	60,750	70,766	10,016
EXPENDITURES:			
Current:			
Highways and streets	45,000	31,066	13,934
Capital outlay	500,000	-	500,000
TOTAL EXPENDITURES	545,000	31,066	513,934
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(484,250)	39,700	523,950
OTHER FINANCING SOURCES:			
Transfers in	-	15,618	15,618
TOTAL OTHER FINANCING SOURCES	-	15,618	15,618
NET CHANGE IN FUND BALANCE	(484,250)	55,318	539,568
FUND BALANCE - BEGINNING OF YEAR	515,127	515,127	-
FUND BALANCE - END OF YEAR	\$ 30,877	\$ 570,445	\$ 539,568

CITY OF HIGHLAND

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
COPS Special Revenue Fund

For the Fiscal Year Ended June 30, 2016

	Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Intergovernmental	\$ 100,500	\$ 114,640	\$ 14,140
TOTAL REVENUES	<u>100,500</u>	<u>114,640</u>	<u>14,140</u>
EXPENDITURES:			
Current:			
Public safety	<u>114,645</u>	<u>114,640</u>	<u>5</u>
TOTAL EXPENDITURES	<u>114,645</u>	<u>114,640</u>	<u>5</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(14,145)	-	14,145
FUND BALANCE - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ (14,145)</u>	<u>\$ -</u>	<u>\$ 14,145</u>

CITY OF HIGHLAND

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Street and Storm Drain Maintenance District Special Revenue Fund

For the Fiscal Year Ended June 30, 2016

	Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Taxes	\$ 32,500	\$ 32,778	\$ 278
Investment income	500	968	468
TOTAL REVENUES	<u>33,000</u>	<u>33,746</u>	<u>746</u>
EXPENDITURES:			
Current:			
Highways and streets	<u>20,400</u>	<u>2,200</u>	<u>18,200</u>
TOTAL EXPENDITURES	<u>20,400</u>	<u>2,200</u>	<u>18,200</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	12,600	31,546	18,946
FUND BALANCE - BEGINNING OF YEAR	<u>325,750</u>	<u>325,750</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 338,350</u>	<u>\$ 357,296</u>	<u>\$ 18,946</u>

CITY OF HIGHLAND

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Justice Assistance Grant Special Revenue Fund

For the Fiscal Year Ended June 30, 2016

	Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Intergovernmental	\$ 18,000	\$ 16,922	\$ (1,078)
TOTAL REVENUES	<u>18,000</u>	<u>16,922</u>	<u>(1,078)</u>
EXPENDITURES:			
Current:			
Public safety	<u>31,465</u>	<u>22,460</u>	<u>9,005</u>
TOTAL EXPENDITURES	<u>31,465</u>	<u>22,460</u>	<u>9,005</u>
EXCESS OF REVENUES OVER (UUNDER) EXPENDITURES	(13,465)	(5,538)	7,927
FUND BALANCE - BEGINNING OF YEAR	<u>30,244</u>	<u>30,244</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 16,779</u>	<u>\$ 24,706</u>	<u>\$ 7,927</u>

CITY OF HIGHLAND

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Paramedic Department Special Revenue Fund

For the Fiscal Year Ended June 30, 2016

	Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Taxes	\$ 350,000	\$ 355,473	\$ 5,473
TOTAL REVENUES	<u>350,000</u>	<u>355,473</u>	<u>5,473</u>
EXPENDITURES:			
Current:			
General government	142,675	135,853	6,822
Public safety	1,464,405	1,261,458	202,947
TOTAL EXPENDITURES	<u>1,607,080</u>	<u>1,397,311</u>	<u>209,769</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,257,080)</u>	<u>(1,041,838)</u>	<u>215,242</u>
OTHER FINANCING SOURCES:			
Transfers in	1,257,080	1,041,838	(215,242)
TOTAL OTHER FINANCING SOURCES	<u>1,257,080</u>	<u>1,041,838</u>	<u>(215,242)</u>
NET CHANGE IN FUND BALANCE	-	-	-
FUND BALANCE - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF HIGHLAND

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Housing Authority Special Revenue Fund

For the Fiscal Year Ended June 30, 2016

	Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Investment income	\$ 7,300	\$ 17,005	\$ 9,705
Rental income	120,000	120,691	691
Miscellaneous	4,500	19,312	14,812
TOTAL REVENUES	131,800	157,008	25,208
EXPENDITURES:			
Current:			
General government	226,800	138,760	88,040
TOTAL EXPENDITURES	226,800	138,760	88,040
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(95,000)	18,248	113,248
EXTRAORDINARY ITEM:			
Bond proceeds transferred from Successor Agency	-	2,929,461	2,929,461
TOTAL EXTRAORDINARY ITEM	-	2,929,461	2,929,461
NET CHANGE IN FUND BALANCE	(95,000)	2,947,709	3,042,709
FUND BALANCE - BEGINNING OF YEAR	696,480	696,480	-
FUND BALANCE - END OF YEAR	\$ 601,480	\$ 3,644,189	\$ 3,042,709



MAJOR AND OTHER GOVERNMENTAL FUNDS

Capital Projects Funds

The following Capital Projects Funds have been classified as major funds in the accompanying financial statements:

General Capital Financing - This fund was established to provide matching funds for potential competitive grants and fund future capital projects.

Capital Improvements - This fund was established to account for the non-housing bond proceeds of the former Redevelopment Agency.

The following Capital Projects Fund has been classified as other governmental fund in the accompanying financial statements:

Community Facilities Districts - The Greenspot Corridor (CFD 90-1) in the east end of the City has been placed into a CFD (Mello-Roos) to provide needed infrastructure, housing, and commercial retail growth to that area. Also to be provided are police and fire services. Tract 14326 (CFD 2001-1) is a residential Community Facilities District.

CITY OF HIGHLAND

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
 General Capital Financing Capital Projects Fund - Major Fund

For the Fiscal Year Ended June 30, 2016

	Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Intergovernmental	\$ -	\$ 30,890	\$ 30,890
Investment income	20,000	31,967	11,967
Miscellaneous	-	12,653	12,653
TOTAL REVENUES	20,000	75,510	55,510
EXPENDITURES:			
Current:			
General government	228,490	401,919	(173,429)
Capital outlay	2,119,800	648,638	1,471,162
TOTAL EXPENDITURES	2,348,290	1,050,557	1,297,733
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,328,290)	(975,047)	1,353,243
OTHER FINANCING SOURCES (USES):			
Transfers in	1,000,000	1,000,000	-
Transfers out	(1,300,000)	(1,157,213)	142,787
TOTAL OTHER FINANCING SOURCES (USES)	(300,000)	(157,213)	142,787
NET CHANGE IN FUND BALANCE	(2,628,290)	(1,132,260)	1,496,030
FUND BALANCE - BEGINNING OF YEAR	9,888,177	9,888,177	-
FUND BALANCE - END OF YEAR	\$ 7,259,887	\$ 8,755,917	\$ 1,496,030

CITY OF HIGHLAND

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Capital Improvement Projects Fund - Major Fund

For the Fiscal Year Ended June 30, 2016

	Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Investment income	\$ -	\$ 31,363	\$ 31,363
TOTAL REVENUES	<u>-</u>	<u>31,363</u>	<u>31,363</u>
EXPENDITURES:			
Current:			
General government	91,565	91,561	4
Capital outlay	482,650	482,632	18
TOTAL EXPENDITURES	<u>574,215</u>	<u>574,193</u>	<u>22</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(574,215)</u>	<u>(542,830)</u>	<u>31,385</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	-	35,063	35,063
Transfers out	(13,720)	(13,719)	1
TOTAL OTHER FINANCING SOURCES (USES)	<u>(13,720)</u>	<u>21,344</u>	<u>35,064</u>
NET CHANGE IN FUND BALANCE, BEFORE EXTRAORDINARY ITEMS	<u>(587,935)</u>	<u>(521,486)</u>	<u>66,449</u>
EXTRAORDINARY ITEM:			
Bond proceeds transferred from Successor Agency	<u>-</u>	<u>13,616,311</u>	<u>13,616,311</u>
NET CHANGE IN FUND BALANCE	<u>(587,935)</u>	<u>13,094,825</u>	<u>13,682,760</u>
FUND BALANCE - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ (587,935)</u>	<u>\$ 13,094,825</u>	<u>\$ 13,682,760</u>

CITY OF HIGHLAND

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Community Facilities Districts Capital Projects Fund

For the Fiscal Year Ended June 30, 2016

	Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Miscellaneous	\$ 11,100	\$ 8,144	\$ (2,956)
TOTAL REVENUES	<u>11,100</u>	<u>8,144</u>	<u>(2,956)</u>
EXPENDITURES:			
Current:			
General government	11,100	8,144	2,956
Highways and streets	<u>23,432</u>	<u>23,432</u>	<u>-</u>
TOTAL EXPENDITURES	<u>34,532</u>	<u>31,576</u>	<u>2,956</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(23,432)	(23,432)	-
FUND BALANCE - BEGINNING OF YEAR	<u>23,432</u>	<u>23,432</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

INTERNAL SERVICE FUNDS

The Internal Service Funds are used to allocate the cost of providing goods and services by one department to other departments on a cost reimbursement basis. The City has two internal service funds; the Insurance Fund & the General Services Fund.

Insurance - This fund accounts for all expenditures relating to insurance premiums for both workers compensation and general liability of the City.

General Services - This fund accounts for all expenditures relating to City Hall including; utilities, janitorial services, computer network, copier leases, equipment and building maintenance repairs.

CITY OF HIGHLAND

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS

June 30, 2016

	<u>Insurance</u>	<u>General Services</u>	<u>Totals</u>
ASSETS:			
CURRENT ASSETS:			
Cash and investments	\$ 3,623,477	\$ 1,312,436	\$ 4,935,913
Receivable:			
Accounts	58,187	-	58,187
Interest	4,750	1,713	6,463
	<u>3,686,414</u>	<u>1,314,149</u>	<u>5,000,563</u>
TOTAL ASSETS			
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts payable	25,822	15,600	41,422
Accrued liabilities	2,843	2,405	5,248
Claims payable	37,774	-	37,774
	<u>66,439</u>	<u>18,005</u>	<u>84,444</u>
TOTAL CURRENT LIABILITIES			
LONG-TERM LIABILITIES:			
Claims payable	109,421	-	109,421
	<u>109,421</u>	<u>-</u>	<u>109,421</u>
TOTAL LONG-TERM LIABILITIES			
	<u>175,860</u>	<u>18,005</u>	<u>193,865</u>
TOTAL LIABILITIES			
NET POSITION:			
Unrestricted	<u>3,510,554</u>	<u>1,296,144</u>	<u>4,806,698</u>
	<u>\$ 3,510,554</u>	<u>\$ 1,296,144</u>	<u>\$ 4,806,698</u>
TOTAL NET POSITION			

CITY OF HIGHLAND

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS

For the Fiscal Year Ended June 30, 2016

	Insurance	General Services	Totals
OPERATING REVENUES:			
Charges for services	\$ 366,251	\$ 205,444	\$ 571,695
Miscellaneous	13,453	-	13,453
	<u>379,704</u>	<u>205,444</u>	<u>585,148</u>
TOTAL OPERATING REVENUES			
OPERATING EXPENSES:			
Salaries and benefits	89,454	-	89,454
Insurance premiums	167,048	-	167,048
Claims and judgements	35,075	-	35,075
Legal fees	47,697	-	47,697
Administrative expenses	48,245	210,399	258,644
Insurance adjusting fees	5,894	-	5,894
	<u>393,413</u>	<u>210,399</u>	<u>603,812</u>
TOTAL OPERATING EXPENSES			
OPERATING LOSS	<u>(13,709)</u>	<u>(4,955)</u>	<u>(18,664)</u>
NONOPERATING REVENUES:			
Investment income	13,709	4,955	18,664
	<u>13,709</u>	<u>4,955</u>	<u>18,664</u>
TOTAL NONOPERATING REVENUES			
CHANGES IN NET POSITION	-	-	-
NET POSITION - BEGINNING OF YEAR	<u>3,510,554</u>	<u>1,296,144</u>	<u>4,806,698</u>
NET POSITION - END OF YEAR	<u>\$ 3,510,554</u>	<u>\$ 1,296,144</u>	<u>\$ 4,806,698</u>

CITY OF HIGHLAND

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS

For the Fiscal Year Ended June 30, 2016

	Insurance	General Services	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received for services	\$ 399,978	\$ 205,444	\$ 605,422
Cash payments to employees for services	(88,989)	(57,527)	(146,516)
Cash payments made to suppliers/vendors	(281,847)	(150,709)	(432,556)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	29,142	(2,792)	26,350
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Cash received from other funds	384,005	-	384,005
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	384,005	-	384,005
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received on investments	11,178	4,052	15,230
NET CASH PROVIDED BY INVESTING ACTIVITIES	11,178	4,052	15,230
NET INCREASE IN CASH AND CASH EQUIVALENTS	424,325	1,260	425,585
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	3,199,152	1,311,176	4,510,328
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,623,477	\$ 1,312,436	\$ 4,935,913
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating loss	\$ (13,709)	\$ (4,955)	\$ (18,664)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
(Increase) decrease in accounts receivable	20,274	-	20,274
Increase (decrease) in accounts payable	18,917	1,680	20,597
Increase (decrease) in accrued liabilities	465	483	948
Increase (decrease) in claims payable	3,195	-	3,195
Total Adjustments	42,851	2,163	45,014
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 29,142	\$ (2,792)	\$ 26,350

AGENCY FUNDS

Agency Funds are used to account for assets held by the City as an agent for individuals, private organizations, other governments and/or other funds. Agency Funds operate as a clearing mechanism. Cash resources are collected, held for a brief period and then distributed to the proper recipients. The City has a fiduciary responsibility for the assets, which it does not own outright.

Community Facilities Districts - These are specific amounts required by the bond indenture to be held in trust for the bondholders. There are two Community Facilities Districts in the City of Highland; CFD 90-1 & CFD 2001-1. The bonds for the CFD 90-1 were paid off in September 2015, so only the CFD 2001-1 has reserves held in this account.

CITY OF HIGHLAND

STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
COMMUNITIES FACILITIES DISTRICTS AGENCY FUND

June 30, 2016

	<u>Balance at June 30, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at June 30, 2016</u>
ASSETS:				
Cash and investments with fiscal agent	\$ 2,693,388	\$ 143,689	\$ 1,135,035	\$ 1,702,042
TOTAL ASSETS	<u>\$ 2,693,388</u>	<u>\$ 143,689</u>	<u>\$ 1,135,035</u>	<u>\$ 1,702,042</u>
LIABILITIES:				
Held for bondholders	\$ 2,693,388	\$ 143,689	\$ 1,135,035	\$ 1,702,043
TOTAL LIABILITIES	<u>\$ 2,693,388</u>	<u>\$ 143,689</u>	<u>\$ 1,135,035</u>	<u>\$ 1,702,043</u>

DESCRIPTION OF STATISTICAL SECTION CONTENTS

June 30, 2016

This part of the City of Highlands's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information say about the government's overall financial health.

	<u>Page Number</u>
<u>Financial Trends</u> - These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	134
<u>Revenue Capacity</u> - These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	138
<u>Debt Capacity</u> - These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	142
<u>Demographic and Economic Information</u> - These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	147
<u>Operating Information</u> - These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	148

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report of the relevant year.

CITY OF HIGHLAND
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Governmental activities:										
Investment in capital assets	210,865,837	216,726,391	209,133,022	197,080,972	190,924,669	169,128,729	171,709,978	169,382,591	160,702,667	157,139,591
Restricted for:										
Public safety	10,181,809	10,811,124	11,383,704	10,442,756	10,103,434	7,344,410	7,006,934	6,469,920	5,076,025	3,739,146
Highways and streets	35,846,032	24,126,132	22,951,998	17,078,055	18,279,286	30,839,678	26,279,227	28,249,863	24,408,609	26,095,854
Affordable housing	4,339,917	1,392,208	1,343,835	1,245,335	717,363	-	-	-	-	-
Unrestricted	16,375,043	9,320,447	11,098,575	23,319,965	24,720,516	35,405,842	39,571,361	39,310,516	43,152,599	36,644,876
Total governmental activities net position	<u>\$277,608,638</u>	<u>\$262,376,302</u>	<u>\$255,911,134</u>	<u>\$249,167,083</u>	<u>\$244,745,268</u>	<u>\$242,718,659</u>	<u>\$244,567,500</u>	<u>\$243,412,890</u>	<u>\$233,339,900</u>	<u>\$223,619,467</u>

CITY OF HIGHLAND
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Expenses:										
Governmental activities:										
General government	8,026,419	6,693,784	7,288,603	7,992,150	7,223,527	9,295,784	6,728,363	8,431,709	7,950,092	6,966,227
Public safety	12,958,169	12,331,238	11,800,508	10,858,918	10,427,656	9,902,952	9,526,477	9,148,103	8,853,182	8,307,371
Highways and streets	10,618,305	12,304,340	13,352,100	5,461,910	8,701,612	13,259,599	6,865,822	9,068,913	12,125,436	5,675,699
Interest and fiscal charges	-	-	-	-	1,684,540	3,149,382	3,394,624	3,069,352	3,495,578	1,553,904
Total governmental activities expenses	<u>31,602,893</u>	<u>31,329,362</u>	<u>32,441,211</u>	<u>24,312,978</u>	<u>28,037,335</u>	<u>35,607,717</u>	<u>26,515,286</u>	<u>29,718,077</u>	<u>32,424,288</u>	<u>22,503,201</u>
Program revenues:										
Governmental activities:										
Charges for services:										
General government	1,583,415	1,080,488	1,037,804	939,407	997,356	1,157,907	955,812	1,704,160	1,607,310	1,481,050
Public safety	3,679,629	3,517,820	3,785,784	3,565,197	3,596,580	670,229	611,327	650,111	628,282	592,096
Highways and streets	1,020,765	886,907	949,736	967,367	817,326	-	-	-	-	-
Operating grants and contributions	9,032,776	4,464,421	7,901,021	2,346,472	3,975,957	5,718,412	3,398,587	4,431,240	5,537,451	5,522,785
Capital grants and contributions	1,054,688	11,931,594	17,151,933	7,866,306	5,771,257	6,837,643	7,229,187	12,196,780	10,378,921	24,205,419
Total governmental activities program revenues	<u>16,371,273</u>	<u>21,881,230</u>	<u>30,826,278</u>	<u>15,684,749</u>	<u>15,158,476</u>	<u>14,384,191</u>	<u>12,194,913</u>	<u>18,982,291</u>	<u>18,151,964</u>	<u>31,801,350</u>
Net revenues (expenses) governmental activities	<u>(15,231,620)</u>	<u>(9,448,132)</u>	<u>(1,614,933)</u>	<u>(8,628,229)</u>	<u>(12,878,859)</u>	<u>(21,223,526)</u>	<u>(14,320,373)</u>	<u>(10,735,786)</u>	<u>(14,272,324)</u>	<u>9,298,149</u>
General revenues and other changes in net position:										
Governmental activities:										
Taxes:										
Property taxes	8,456,523	8,568,219	8,188,274	7,528,512	8,030,404	9,435,885	7,363,024	12,416,120	14,665,806	13,308,804
Sales and use taxes	2,224,734	1,682,344	1,639,446	1,643,959	1,612,077	1,437,845	1,327,033	1,048,170	1,564,043	1,301,204
Transient occupancy tax	274,410	264,628	249,722	228,490	204,296	178,729	167,247	123,211	41,747	49,401
Franchise taxes	1,587,761	1,561,126	1,500,203	1,471,668	1,482,418	1,440,500	1,456,089	1,497,340	1,411,566	1,465,842
Business license tax	263,489	344,282	253,690	232,909	243,218	276,517	228,259	240,498	325,616	272,323
Other	14,459	14,362	47,160	57,684	83,100	59,014	119,184	-	-	-
Investment income	104,983	987,829	48,567	58,651	117,613	155,081	219,248	734,256	1,331,150	2,302,140
State motor vehicle in lieu, unrestricted	-	-	-	3,764,950	3,750,346	3,967,325	4,551,516	4,689,433	4,602,679	4,062,670
Rental income	-	-	-	120,601	168,109	-	-	-	-	-
Land contribution from the Successor Agency	-	-	-	1,645,592	-	-	-	-	-	-
Miscellaneous	991,825	1,403,154	1,004,511	463,553	94,458	40,610	43,383	59,748	50,150	52,276
Total governmental activities	<u>13,918,184</u>	<u>14,825,944</u>	<u>12,931,573</u>	<u>17,216,569</u>	<u>15,786,039</u>	<u>16,991,506</u>	<u>15,474,983</u>	<u>20,808,776</u>	<u>23,992,757</u>	<u>22,814,660</u>
Changes in net position governmental activities	<u>\$ (1,313,436)</u>	<u>\$ 5,377,812</u>	<u>\$ 11,316,640</u>	<u>\$ 8,588,340</u>	<u>\$ 2,907,180</u>	<u>\$ (4,232,020)</u>	<u>\$ 1,154,610</u>	<u>\$ 10,072,990</u>	<u>\$ 9,720,433</u>	<u>\$ 32,112,809</u>
Extraordinary item: Loss on transfer	-	-	-	-	(880,571.00)	-	-	-	-	-
Restatement of Land	-	-	-	(1,998,141)	-	-	-	-	-	-
Extraordinary item: Repayment of Advance	-	-	(946,087)	(2,168,384)	-	-	-	-	-	-
Extraordinary item: Bond Proceeds (former RDA)	16,545,772	-	-	-	-	-	-	-	-	-
Implementation of GASB 68 & 71	-	-	(3,513,889)	-	-	-	-	-	-	-
Restatement of Depreciation	-	-	(3,859,190)	-	-	-	-	-	-	-
Restatement of Capital Assets (note 16)	-	1,087,356	3,746,577	-	-	-	-	-	-	-
Changes in net position governmental activities	<u>\$ 15,232,336</u>	<u>\$ 6,465,168</u>	<u>\$ 6,744,051</u>	<u>\$ 4,421,815</u>	<u>\$ 2,026,609</u>	-	-	-	-	-

CITY OF HIGHLAND
Fund Balances of Governmental Funds
Last Six Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year					
	2016	2015	2014	2013	2012	2011
General fund:						
Nonspendable	1,061,528	1,178,728	1,390,548	1,051,857	11,679	12,228
Spendable:						
Restricted	-	-	-	-	-	-
Assigned	5,004,971	5,201,502	5,079,911	4,623,896	5,921,333	5,952,438
Unassigned	1,108,361	2,102,381	2,008,776	2,899,604	4,067,019	4,009,852
Total general fund	<u>\$ 7,174,860</u>	<u>\$ 8,482,611</u>	<u>\$ 8,479,235</u>	<u>\$ 8,575,357</u>	<u>\$10,000,031</u>	<u>\$ 9,974,518</u>
All other governmental funds:						
Nonspendable:						
Special revenue funds	-	-	-	-	-	-
Debt service funds	-	-	-	-	-	100,000
Capital projects funds	1,425,413	1,425,413	-	-	-	-
Restricted:						
Special revenue funds	35,540,081	25,662,859	27,064,666	28,827,731	28,593,540	382,837
Debt service funds	-	-	-	-	-	14,736,339
Capital projects funds	13,094,825	23,432	58,771	480,000	58,771	35,181,776
Committed:						
Special revenue funds	-	-	-	-	-	-
Debt service funds	-	-	-	-	-	-
Capital projects funds	-	-	-	-	-	-
Assigned:						
Special revenue funds	-	-	-	-	-	58,771
Debt service funds	-	-	-	-	-	-
Capital projects funds	7,330,504	8,462,764	9,104,185	9,363,023	8,473,641	42,064,464
Unassigned:						
Special revenue funds	(525,490)	(9,580,909)	(7,302,032)	(2,268,023)	(4,526,334)	(1,352,280)
Debt service funds	-	-	-	-	-	-
Capital projects funds	-	-	-	-	-	995,320
Total all other governmental funds	<u>\$56,865,333</u>	<u>\$25,993,559</u>	<u>\$28,925,590</u>	<u>\$36,402,731</u>	<u>\$32,599,618</u>	<u>\$ 92,167,227</u>

The City of Highland has elected to show only the last six years of this data due to the implementation of GASB 54.

CITY OF HIGHLAND
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues:										
Taxes	16,070,934	15,456,880	14,869,000	17,767,254	19,193,722	21,942,691	19,210,810	21,336,089	20,853,597	18,954,256
Licenses and permits	684,186	561,943	582,506	563,573	557,681	554,595	448,062	464,086	619,117	699,063
Intergovernmental	19,025,112	6,584,075	9,674,444	11,720,399	6,553,498	7,699,570	10,166,338	9,553,228	12,441,203	11,382,470
Charges for services	1,999,287	1,568,001	1,963,528	2,915,688	2,033,575	1,458,191	1,304,360	3,155,352	4,410,113	3,351,852
Fines and forfeitures	182,037	237,306	457,300	323,327	284,958	377,939	412,461	293,606	180,938	138,128
Investment income	217,790	1,027,138	89,532	114,292	205,050	4,171,178	673,370	2,227,472	4,545,003	4,402,668
Rental income	120,691	121,961	122,441	120,601	168,109	205,380	92,519	44,478	91,659	79,435
Miscellaneous	671,337	1,293,862	870,354	616,841	102,169	187,084	179,043	320,025	336,252	392,129
Total revenues	38,971,374	26,851,166	28,629,105	34,141,975	29,098,762	36,596,628	32,486,963	37,394,336	43,477,882	39,400,001
Expenditures:										
Current:										
General government+	8,036,914	6,230,511	6,147,009	6,058,525	6,661,740	9,021,111	6,653,593	8,139,861	7,224,134	6,582,621
Highways and streets+	2,729,393	3,234,358	3,727,336	4,817,853	3,795,364	7,399,331	4,858,799	4,585,701	4,871,550	4,245,419
Public safety+	12,408,648	11,793,948	11,313,648	10,434,120	9,952,158	9,726,598	9,328,513	8,940,386	8,689,310	8,102,779
Capital outlay	2,778,168	8,521,004	14,068,287	8,284,654	9,284,164	10,543,565	5,231,339	4,565,061	11,112,930	16,026,839
Debt service:										
Principal*	-	-	-	-	1,170,000	1,130,000	1,085,000	975,000	400,000	425,000
Interest*	-	-	-	-	1,405,454	3,061,165	3,306,338	3,322,660	3,179,840	1,350,350
Pass-through payments*	-	-	-	-	828,396	2,235,547	2,515,074	2,782,837	2,517,625	2,004,045
SERAF Payment*	-	-	-	-	-	655,133	3,182,076	-	-	-
Payment to bond escrow agent*	-	-	-	-	-	-	-	-	-	1,608,243
Total expenditures	25,953,123	29,779,821	35,256,280	29,595,152	33,097,276	43,772,450	36,160,732	33,311,506	37,995,389	40,345,296
Excess (deficiency) of revenues over (under) expenditures	13,018,251	(2,928,655)	(6,627,175)	4,546,823	(3,998,514)	(7,175,822)	(3,673,769)	4,082,830	5,482,493	(945,295)
Other financing sources (uses):										
Issuance of long term debt	-	-	-	-	-	-	-	-	-	42,645,000
Payment to bond escrow agent	-	-	-	-	-	-	-	-	-	-
Transfers in	3,448,326	3,522,188	708,567	6,426,146	3,535,100	6,768,484	5,106,171	3,319,665	3,416,247	8,818,308
Transfers out	(3,448,326)	(3,522,188)	(708,567)	(6,426,146)	(3,535,100)	(7,599,291)	(5,606,171)	(3,819,665)	(4,566,247)	(9,868,308)
Total other financing sources (uses)	-	-	-	-	-	(830,807)	(500,000)	(500,000)	(1,150,000)	41,595,000
Extraordinary Item	-	-	(946,087)	(2,168,384)	(55,543,582)	-	-	-	-	-
Net change in fund balances	\$13,018,251	\$(2,928,655)	\$(7,573,262)	\$ 2,378,439	\$(59,542,096)	\$(8,006,629)	\$(4,173,769)	\$ 3,582,830	\$ 4,332,493	\$ 40,649,705

Debt service* as a percentage of noncapital + expenditure 0.0% 0.0% 0.0% 0.0% 16.7% 27.1% 48.4% 32.7% 29.3% 28.5%

Debt service is for the former RDA.

The RDA was dissolved on February 1, 2012.

CITY OF HIGHLAND
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Category	Assessed Value									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Residential	2,773,541,762	2,609,720,470	2,447,887,756	2,360,240,430	2,340,010,673	2,333,001,753	2,550,249,095	2,935,934,075	2,863,064,605	2,488,406,732
Commercial	198,338,374	196,409,096	194,061,982	190,385,491	197,340,618	197,876,791	194,047,501	158,419,204	145,475,322	122,466,759
Industrial	46,948,732	42,808,510	42,408,595	39,608,573	38,257,586	39,108,545	39,144,816	17,548,829	16,345,050	18,347,146
Irrigated	632,998	794,784	791,192	1,023,979	1,003,899	1,160,051	1,219,204	1,633,753	1,601,720	1,570,314
Dry Farm	200,535	196,606	195,718	191,880	188,118	186,712	187,155	183,485	179,887	2,531,535
Recreational	1,519,489	2,391,470	2,390,411	2,243,540	2,416,706	2,503,273	2,496,725	2,468,984	2,465,318	3,179,482
Institutional	28,271,761	27,748,091	27,588,682	27,124,221	27,049,010	27,098,415	27,162,790	26,630,187	26,108,023	25,029,578
Miscellaneous	9,556,408	11,796,187	12,959,361	13,574,718	13,405,863	15,081,959	12,190,155	9,549,423	14,946,904	9,691,230
Vacant Land	76,496,990	75,088,677	74,106,442	77,808,833	81,515,351	88,317,166	104,613,843	117,046,561	110,910,014	86,982,384
SBE Nonunitary	18,900	18,900	31,500	31,500	31,500	31,500	31,500	31,500	31,500	31,500
Unsecured	62,288,201	61,175,324	62,341,169	63,946,028	63,630,188	64,760,058	63,499,158	52,729,890	46,934,714	39,558,005
Unknown	-	-	-	1,285,846	866,876	-	-	-	-	-
Exemptions	(72,450,406)	(61,581,215)	(60,509,158)	(57,924,892)	(56,024,399)	(57,634,552)	(58,825,841)	(49,794,191)	(47,479,131)	(44,223,613)
Total	3,125,363,744	2,966,566,900	2,804,253,650	2,719,540,147	2,709,691,989	2,711,491,671	2,936,016,101	3,272,381,700	3,180,583,926	2,753,571,052
-138- Total direct rate	0.23904	0.23898	0.23897	0.47862	0.48340	0.48807	0.49638	0.48826	0.48135	0.46008

NOTE:

In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only re-assessed at the time that it is sold to a new owner. At a new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of property and is subject to the limitations described above.

Source: HdL

CITY OF HIGHLAND
 Direct and Overlapping Property Tax Rates
 (Rate per \$100 of assessed value)
 Last Three Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>
City Direct Rate:			
<u>Property Tax General Fund</u>			
Assessed value of City basic rate	<u>\$0.24400</u>	<u>\$ 0.24400</u>	<u>\$0.24400</u>
Total City Direct Rate	\$0.24400	\$ 0.24400	\$0.24400
Overlapping Rates:			
County Free Library	\$0.01344	\$ 0.01344	\$0.01344
County General Fund	\$0.13880	\$ 0.13880	\$0.13880
County Superintendent	\$0.00712	\$ 0.00712	\$0.00712
Inland Empire Joint Resource Conservation District	\$0.00049	\$ 0.00049	\$0.00049
Education Revenue Augmentation Fund	\$0.21010	\$ 0.21010	\$0.21010
Flood Control Administration 3-6	\$0.00080	\$ 0.00080	\$0.00080
Flood Control Zone 3	\$0.02430	\$ 0.02430	\$0.02430
Redlands Unified	\$0.28670	\$ 0.28670	\$0.28670
San Bernardino Community College	\$0.04880	\$ 0.04880	\$0.04880
San Bernardino Valley Municipal Water	\$0.02510	\$ 0.02510	\$0.02510
San Bernardino Valley Water Conservation District	<u>\$0.00043</u>	<u>\$ 0.00043</u>	<u>\$0.00043</u>
Total Direct rates	<u>\$1.00000</u>	<u>\$ 1.00000</u>	<u>\$1.00000</u>
Redlands Unified School Bond 1993	\$0.05940	\$ 0.05940	\$0.06290
San Bernardino Community College Bond	\$0.03930	\$ 0.03930	\$0.04190
San Bernardino Unified School Bond	\$0.10810	\$ 0.10810	\$0.13500
San Bernardino Valley Muni Water District Bond	<u>\$0.16250</u>	<u>\$ 0.16250</u>	<u>\$0.16250</u>
Total Overlapping Rates	<u>\$0.36930</u>	<u>\$ 0.36930</u>	<u>\$0.40230</u>
Total Direct & Overlapping Tax Rates	<u>\$1.36930</u>	<u>\$ 1.36930</u>	<u>\$1.40230</u>
Redevelopment Rate	n/a	n/a	n/a
Total Direct Rate	<u>\$0.23904</u>	<u>\$ 0.23898</u>	<u>\$0.23897</u>

In 1978, California voters passed Proposition 13 which sets the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property taxes reside in. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of other bonds of overlapping governments.

The RDA was dissolved on February 1, 2012.

The Total Direct rate is the weighted average of all individual direct rates applied to by the government preparing the statistical section.

Information for additional years is unavailable.

Source: HdL

CITY OF HIGHLAND
Principal Property Tax Payers
Current Fiscal Year & Nine Years Ago

Taxpayer	2016		2007	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Victoria Development Company	26,120,265	0.84%	-	0.00%
Miracle Mile Properties, LP	16,884,205	0.54%	-	0.00%
Lowe's HIW Inc.	15,959,020	0.51%	-	0.00%
RRM Properties Limited	13,588,274	0.43%	-	0.00%
Highland AL-MC Group	12,826,063	0.41%	-	0.00%
Greenspot Village & Marketplace LLC	11,472,960	0.37%	-	0.00%
Greenspot Ranch Investors	10,450,498	0.33%	13,623,292	0.49%
Cole LA Highland California LP	9,897,205	0.32%	-	0.00%
Boulder Baseline Investors	9,818,017	0.31%	8,634,487	0.31%
CAA, LP	8,865,161	0.28%	-	0.00%
Standard Pacific Corporation	-	0.00%	28,804,352	1.05%
Sam Menlo Trust	-	0.00%	14,848,868	0.54%
Urban Communities Preservation Housing	-	0.00%	8,697,744	0.32%
Robertsons Ready Mix Limited	-	0.00%	8,433,429	0.31%
Wesmor	-	0.00%	8,051,151	0.29%
Toll Land XXII LP	-	0.00%	7,650,000	0.28%
U S Kuil, Inc.	-	0.00%	7,500,000	0.27%
Smith Food & Drug Centers, Inc.	-	0.00%	7,293,902	0.26%
	<u>\$135,881,668</u>	<u>4.34%</u>	<u>\$113,537,225</u>	<u>4.12%</u>

The amounts shown above include assessed value (secured & unsecured) data for both the City and the former Redevelopment Agency.

Source: HdL

CITY OF HIGHLAND
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended June 30	Property Taxes Levied for the Fiscal Year	Amount Collected	Percent of Levy	Property Tax Collections in Subsequent Years	Amount Collected	Percent of Levy
2007	\$ 6,718,713	5,843,453	86.97%	64,404	5,907,857	87.93%
2008	\$ 7,760,625	6,205,979	79.97%	83,166	6,289,145	81.04%
2009	\$ 7,984,611	6,158,203	77.13%	128,483	6,286,686	78.74%
2010	\$ 7,163,879	5,008,572	69.91%	114,257	5,122,829	71.51%
2011	\$ 6,616,040	5,025,047	75.95%	84,038	5,109,085	77.22%
2012	\$ 6,611,648	5,629,180	85.14%	75,746	5,704,926	86.29%
2013	\$ 6,635,678	5,164,997	77.84%	80,938	5,245,935	79.06%
2014	\$ 6,842,379	5,494,205	80.30%	72,621	5,566,826	81.36%
2015	\$ 7,238,423	5,672,014	78.36%	68,951	5,740,965	79.31%
2016	\$ 7,625,888	5,943,945	77.94%	61,230	6,005,175	78.75%

The amounts presented include City property taxes (24.4%) of the 1% general levy.

Source: San Bernardino County Auditor Controller's Office and City records.

CITY OF HIGHLAND
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year Ended June 30	Governmental <u>Activities</u>	Percentage of Personal Income ¹	Debt Per Capita ¹
	Former RDA Tax Allocation Bonds		
2007	62,865,000	5.90%	1,207
2008	62,465,000	5.61%	1,197
2009	61,490,000	5.45%	1,174
2010	60,405,000	5.51%	1,151
2011	59,275,000	5.31%	1,109
2012	-	0.00%	-
2013	-	0.00%	-
2014	-	0.00%	-
2015	-	0.00%	-
2016	-	0.00%	-

¹ These ratios are calculated using personal income and population for the prior calendar year.

Notes: Details regarding the Successor Agency to the Highland Redevelopment Agency's outstanding debt can be found in the notes to the financial statements.

CITY OF HIGHLAND
Ratio of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year Ended June 30	Outstanding General Bonded Debt	Percent of Assessed Value ¹	Per Capita
	Former RDA Tax Allocation Bonds		
2007	62,865,000	2.28%	1,207
2008	62,465,000	1.96%	1,197
2009	61,490,000	1.88%	1,174
2010	60,405,000	2.06%	1,151
2011	59,275,000	2.19%	1,109
2012	-	0.00%	-
2013	-	0.00%	-
2014	-	0.00%	-
2015	-	0.00%	-
2016	-	0.00%	-

¹ Assessed value has been used because the actual value of taxable property is not readily available in the State of California.

Notes: Details regarding the Successor Agency to the Highland Redevelopment Agency's outstanding debt can be found in the notes to the financial statements.

CITY OF HIGHLAND
Overlapping Tax & Assessment Debt
June 30, 2016

<u>2015-2016 Assessed Valuation</u>		\$ 3,125,363,744	
	Percentage Applicable ¹	Outstanding Debt 6/30/2016	City's Share of Overlapping Debt
<u>Overlapping Tax and Assessment Debt</u>			
San Bernardino Community College District	5.285%	\$ 463,914,004	\$ 24,517,855
Redlands Unified School District	13.098%	92,311,062	12,090,903
San Bernardino Unified School District	9.802%	212,092,114	20,789,269
City of Highland CFD 90-1	100.00%	-	-
City of Highland CFD 2001-1	100.00%	4,415,000	4,415,000
Redlands Unified School District CFD 2001-1	100.00%	14,035,000	14,035,000
Total Overlapping Tax and Assessment Debt			\$ 75,848,027
<u>Direct & Overlapping General Fund Obligation Debt</u>			
San Bernardino County General Fund Obligations	1.665%	435,550,000	\$ 7,251,908
San Bernardino County Pension Obligations	1.665%	419,370,824	6,982,524
San Bernardino County Flood Control District COP	1.665%	78,165,000	1,301,447
Redlands Unified School District COP	13.098%	5,000,000	654,900
San Bernardino Unified School District COP	9.802%	47,750,000	4,680,455
Total Direct & Overlapping General Fund Obligation Debt			\$ 20,871,234
<u>Overlapping Tax Increment Debt (Successor Agencies)</u>			
Successor Agency to the Highland RDA (SARDA)	100.00%	50,900,000	\$ 50,900,000
San Bernardino County (IVDA) Tax Allocation Bonds	0.004%	239,870,000	9,595
Total Overlapping Tax Increment Debt (Successor Agencies)			\$ 50,909,595
TOTAL DIRECT DEBT			\$ -
TOTAL OVERLAPPING DEBT			\$ 147,628,856
COMBINED TOTAL DEBT			² \$ 147,628,856

1. The percentage of overlapping debt applicable to the city is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.

2. Excludes tax and revenue anticipation notes, revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2015-2016 Assessed Valuation:

Total Overlapping Tax & Assessment Debt	2.43%
Total Direct Debt	0.00%
Combined Total Debt	4.72%

Details regarding the Successor Agency to the Highland Redevelopment Agency's (SARDA) outstanding debt can be found in the notes to the financial statements.

Source: California Municipal Statistics, Inc.

CITY OF HIGHLAND
 Legal Debt Margin Information
 Last Ten Years

	2016	2015	2014	2013	2012	Fiscal Year 2011	2010	2009	2008	2007
Assessed Valuation	\$3,125,363,744	\$2,966,566,900	\$2,804,253,650	\$2,719,540,147	\$2,709,691,989	\$2,711,491,671	\$2,936,016,101	\$3,272,381,700	\$3,180,583,926	\$2,753,571,052
Conversion percentage	<u>25%</u>									
Adjusted assessed valuation	\$ 781,340,936	\$ 741,641,725	\$ 701,063,413	\$ 679,885,037	\$ 677,422,997	\$ 677,872,918	\$ 734,004,025	\$ 818,095,425	\$ 795,145,982	\$ 688,392,763
Debt limit percentage	<u>15%</u>									
Debt limit	117,201,140	111,246,259	105,159,512	101,982,756	101,613,450	101,680,938	110,100,604	122,714,314	119,271,897	103,258,914
Total net debt applicable to	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$ 117,201,140</u>	<u>\$ 111,246,259</u>	<u>\$ 105,159,512</u>	<u>\$ 101,982,756</u>	<u>\$ 101,613,450</u>	<u>\$ 101,680,938</u>	<u>\$ 110,100,604</u>	<u>\$ 122,714,314</u>	<u>\$ 119,271,897</u>	<u>\$ 103,258,914</u>
Total debt applicable to the as a percentage of debt limit	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

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The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computations shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25% level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the state.

Source: City of Highland
 San Bernardino County Tax Assessor

CITY OF HIGHLAND
Pledged-Revenue Coverage
Last Ten Fiscal Years

Fiscal Year Ended June 30	Tax Allocation Bonds			
	Former RDA Tax Increment	Debt Service		Coverage
		Principal	Interest	
2006	6,590,809	410,000	989,086	4.71
2007	8,964,742	425,000	980,351	6.38
2008	10,342,684	400,000	2,790,022	3.24
2009	10,484,840	975,000	2,913,593	2.70
2010	9,381,837	1,085,000	3,306,338	2.14
2011	8,208,111	7,151,420	3,061,165	0.80
2012	4,759,252	1,170,000	1,405,454	1.85
2013	-	-	-	-
2014	-	-	-	-
2015	-	-	-	-
2016	-	-	-	-

Note: Details regarding the SARDA's outstanding debt can be found in the not to the financial statements. The RDA was dissolved on 2/1/2012.

In January of 2011, the RDA Board approved the re-payment of \$6,021,420 of advances (loans) from the City.

CITY OF HIGHLAND
Demographic and Economic Statistics
Last Ten Calendar Years

Calendar Year	Population (1)	Personal Income (2) (in thousands)	Per Capita Personal Income (3)	Unemployment Rate (4)
2007	52,081	1,064,952	20,448	6.2%
2008	52,175	1,113,415	21,340	7.2%
2009	52,372	1,128,407	21,546	10.1%
2010	52,495	1,097,146	20,900	16.4%
2011	53,444	1,116,766	20,896	17.8%
2012	53,664	1,176,583	21,925	16.6%
2013	53,926	1,187,127	22,014	12.2%
2014	54,033	1,173,489	21,718	10.6%
2015	53,340	1,121,794	21,031	7.0%
2016	53,645	1,165,867	21,733	5.6%

- Sources:
- (1) State Department of Finance/HdL
 - (2) Calculated using City of Highland per capital personal income
 - (3) HdL
 - (4) HdL

CITY OF HIGHLAND
Full-time City Employees only
by Department
Last Ten Fiscal Years

Department	<u>Full-Time Equivalent Employees as of June 30</u>									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
City clerk	1.850	1.950	1.950	1.950	1.800	1.800	1.800	1.950	1.950	2.000
General government	3.800	3.925	3.925	3.950	3.650	3.650	3.900	3.900	3.900	2.800
Personnel	0.250	0.300	0.300	0.300	0.300	0.300	0.300	0.300	0.300	0.500
Finance	4.150	4.375	4.375	4.400	3.900	3.900	3.900	3.600	3.300	4.000
Public works (Gas tax)	4.300	5.200	5.200	5.000	5.250	5.250	5.500	5.500	5.500	5.000
Engineering	0.350	0.350	0.350	0.500	0.750	0.750	0.750	1.000	1.000	1.000
Planning	5.150	5.550	5.550	5.650	4.500	4.500	4.500	5.200	5.200	4.600
Public services	2.000	2.000	2.000	2.000	2.000	2.000	2.000	2.000	2.000	1.000
Building and safety	1.550	1.550	1.550	1.550	1.475	1.475	1.475	1.475	1.475	1.900
Code enforcement	2.400	2.400	2.400	2.400	1.775	1.775	1.775	1.775	1.775	2.200
Parks and trails	1.150	2.150	2.150	2.250	2.250	2.250	2.500	2.500	2.500	2.500
Graffiti	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
CDBG	1.400	1.400	1.400	1.400	1.400	1.400	1.400	1.400	1.400	1.400
HUD grant	-	-	-	-	-	-	-	-	-	-
Assessment districts	1.200	-	-	-	-	-	-	-	-	-
AQMD AB 2766	-	-	-	-	-	-	-	-	-	-
General liability	0.350	0.400	0.400	0.400	0.400	0.400	0.400	0.400	0.400	0.450
Building services	0.850	0.850	0.850	0.250	0.250	0.250	0.500	0.500	0.500	-
Housing authority	0.450	0.100	0.100	-	-	-	-	-	-	-
Redevelopment/Successor agency	<u>1.800</u>	<u>0.500</u>	<u>0.500</u>	<u>-</u>	<u>6.300</u>	<u>6.300</u>	<u>6.300</u>	<u>5.500</u>	<u>4.800</u>	<u>3.650</u>
	<u>34.000</u>	<u>34.000</u>	<u>34.000</u>	<u>33.000</u>	<u>37.000</u>	<u>37.000</u>	<u>38.000</u>	<u>38.000</u>	<u>37.000</u>	<u>34.000</u>

Source: City of Highland.

CITY OF HIGHLAND
 Operating Indicators
 by Department
 Last Ten Fiscal Years

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Police department:										
Calls for service	48,204	48,314	45,795	44,270	46,260	46,253	47,608	48,089	47,789	45,467
Adult Bookings	1,557	1,726	1,644	1,659	1,767	1,728	1,618	2,863	1,292	692
Animal control services:										
Calls for service	3,650	3,914	4,268	3,977	4,141	4,100	4,194	4,135	4,078	3,069
Impounds	1,556	1,792	2,066	2,579	2,260	2,274	2,202	2,298	2,255	2,105
Dog licenses issued*	1,968	2,287	2,394	2,647	3,273	2,868	3,259	3,210	1,213	n/a*
Public works:										
Roadway maintained (miles)	142.67	142.67	142.50	142.50	142.50	140.96	139.96	139.96	139.96	139.96
Planning:										
Applications	139	146	190	151	180	157	110	98	160	116
Building and safety:										
Building permits issued	1,389	n/a*	1,154	1,048	1,276	1,073	894	866	867	1,034
Administration:										
New business licenses*	366	973	411	627	667	574	420	447	394	n/a*
Renewed business licenses*	1,842	1,479	1,520	1,287	1,239	1,072	1026	928	275	n/a*
Parks:										
Number of parks	7	7	7	7	7	6	6	5	5	4
Acreage	37.25	37.25	37.25	37.25	37.25	36.25	36.25	35.80	35.80	32.50

*Prior year information may not be available for recently added categories.

CITY OF HIGHLAND
 Capital Asset Statistics
 by Function
 Last Ten Fiscal Years

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Police:										
Police stations	1	1	1	1	1	1	1	1	1	1
Fire:										
Fire stations	3	3	3	3	3	3	3	3	3	3
Public works:										
Corporation yards	1	1	1	1	1	1	1	1	1	1
Streets (miles)	142.67	142.67	142.50	142.50	142.50	140.96	139.96	139.96	139.96	139.96
Street lights	3,455	3,455	3,395	3,380	3,376	3,326	3,315	3,297	3,255	3,226
Traffic signals	79	77	75	73	71	71	71	71	71	71
Recreation:										
Parks	7	7	7	7	7	6	6	5	5	5
Community centers	1	1	1	1	1	1	1	1	1	1
Athletic centers	1	1	1	1	1	1	1	1	1	1
Libraries	1	1	1	1	1	1	1	1	1	1

Source: City of Highland



THE CITY OF HIGHLAND MISSION AND VALUES

Highland is dedicated to the betterment of the individual, the family, the neighborhood and the community. The City Council and the staff of the City of Highland are dedicated to providing the quality of public facilities and services that its citizens are willing to fund and will do so as efficiently as possible.

This Mission is established to reflect the following beliefs which represent the predominant beliefs of the community. They express what matters most in the conduct of public affairs affecting the citizenry of Highland.

RESPONSIBILITY

Everyone in the community has rights and is responsible for their own actions.

SERVICE

Volunteer service is a valued community resource.

ACCOUNTABILITY

Public resources and finances are to be stewarded carefully and conservatively-we live within our means and will not place huge debts on future generations.

CREATIVITY

Creative solutions are the norm, not the exception.

NEIGHBORHOOD STABILITY

Neighborhood stability and a sense of ownership are to be encouraged and strengthened.

VISION

The community has a vision of the future and how it will get there.

FAMILY

Families are the basic unit of society and the essence of what makes our community. All values should be encouraged at this family level.

**CITY OF HIGHLAND
HIGHLAND, CALIFORNIA**

**SINGLE AUDIT OF FEDERALLY
ASSISTED GRANT PROGRAMS**

JUNE 30, 2016

CITY OF HIGHLAND

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

The Honorable Mayor and City Council
City of Highland
Highland, California

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Highland (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, and have issued our report thereon dated November 7, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a material weakness. See Finding Number 2016-001.

- 1 -

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Offices located in Orange and San Diego Counties

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, 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. 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*.

City's Response to Finding

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

White Nelson Dick Evans LLP

Irvine, California
November 7, 2016

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND ON
THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Honorable Mayor and City Council
City of Highland
Highland, California

Report on Compliance for Each Major Federal Program

We have audited the City of Highland's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2016. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Highland, 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. We issued our report thereon dated November 7, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates 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 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

White Nelson Dick Evans LLP

Irvine, California
November 7, 2016

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

CITY OF HIGHLAND

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2016

Federal Grantor / Pass-Through Grantor / Program	Catalog of Federal Domestic Assistance Number	Program Identification Number	Federal Expenditures	Amount Provided to Subrecipients
<u>U.S. Department of Housing and Urban Development:</u>				
Passed Through the County of San Bernardino:				
Community Development Block Grant	14.218	HIGH-15-1-15Z/1355	\$ 123,997	\$ -
		HIGH-15-1-05A/1219	24,000	24,000
		HIGH-15-2-05D/2620	6,530	6,530
		HIGH-15-1-05D/3690	7,000	7,000
		HIGH-15-2-05Z/2443	11,632	11,632
		HIGH-15-1-05H/7507	12,000	12,000
		118-38105/3671	45,185	-
Total U.S. Department of Housing and Urban Development			230,344	61,162
<u>U.S. Department of Justice:</u>				
Passed Through the County of San Bernardino:				
Edward Byrne Memorial Justice Assistance Grant	16.738	2013-DJBX-0874	10,153	-
		2014-DJBX-0716	12,307	-
Total U.S. Department of Justice			22,460	-
<u>U.S. Department of Transportation:</u>				
Passed Through the California State Department of Transportation:				
Highway Planning and Construction	20.205	BRLO-5449 (015)	487,866	-
		BRLSN-5449 (034)	3,207	-
		BR-NBIL (505)	8,887	-
		PNRSL 5449 (033)	1,462	-
		HISPL 5449 (011)	20,425	-
		HSIPL 5449 (025)	25,993	-
		SRTSL 5449 (027)	1,587	-
		SRTSL 5449 (026)	837	-
Total U.S. Department of Transportation			550,264	-
<u>U.S. Department of Homeland Security:</u>				
Passed Through the San Bernardino County Fire Protection District:				
Homeland Security Grant Program	97.067	2014-00093	15,255	-
		2015-00093	14,472	-
Total U.S. Department of Homeland Security			29,727	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 832,795	\$ 61,162

See accompanying notes to schedule of expenditures of federal awards.

CITY OF HIGHLAND

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES APPLICABLE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

A. Basis of Presentation:

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City of Highland (the City) under programs of the federal government as well as federal financial assistance passed through other government agencies for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial statements of the City. The City's reporting entity is defined in Note 1 of the notes to the City's financial statements.

B. Summary of Significant Accounting Policies:

Expenditures reported on the Schedule are reported using the modified accrual basis of accounting for governmental funds and the accrual basis for proprietary funds, which is described in Note 1 of the notes to the City's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

C. Indirect Cost Rate:

The City has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

D. Relationship to Comprehensive Annual Financial Report:

Amounts reported in the accompanying Schedule agree to amounts reported within the City's Comprehensive Annual Financial Report.

E. Relationship to Federal Financial Report:

Amounts reported in the accompanying Schedule agree with amounts reported in federal financial reports.

F. Contingencies:

Under the terms of federal and state grants, additional audits may be requested by the grantor agencies, and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to a request for reimbursement to the grantor agencies.

CITY OF HIGHLAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2016

1. SUMMARY OF AUDITORS' RESULTS:

Financial Statements

Type of auditors' report issued:

- Unmodified

Internal control over financial reporting:

- Material weakness identified? yes no
See Finding Number 2016-001
- Significant deficiency identified? yes none reported

Noncompliance material to financial statements noted: yes no

Federal Awards

Internal control over major programs:

- Material weakness identified? yes no
- Significant deficiency identified? yes none reported

Type of auditors' report issued on compliance for major programs:

- Unmodified

Any audit findings disclosed that are required to be reported in accordance 2 CFR Section 200.516(a)? yes no

Identification of major programs:

CFDA Number
20.205

Name of Federal Program or Cluster
U.S. Department of Transportation
Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? yes no

CITY OF HIGHLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)

For the year ended June 30, 2016

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS:

MATERIAL WEAKNESS

Finding Number 2016-001

Condition

The City did not record additions to construction in progress in the proper period.

Criteria

The City is required to produce financial statements that are free of material misstatements.

Cause

Prior year additions were missed by City staff.

Effect

The beginning balance of the capital assets was restated by approximately \$1,087,000 in the governmental activities net position.

Recommendation

We recommend that the City implement procedures and processes to ensure that capital assets are recorded in the proper period.

Management's Response

Finance and Public Works staff will meet monthly to determine which projects will be capitalized and which projects will be placed in CIP. This will help ensure that CIP is not being under reported in the future.

3. FINDINGS AND QUESTIONED COSTS FOR MAJOR FEDERAL AWARDS PROGRAMS:

None noted.

CITY OF HIGHLAND
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the year ended June 30, 2016

FINDINGS RELATED TO THE FINANCIAL STATEMENTS

MATERIAL WEAKNESS

Finding Number 2015-001

Condition

The City did not record additions to construction in progress in the proper period. In addition, several depreciable assets were not being depreciated.

Recommendation

We recommend that the City implement procedures and processes to ensure that capital assets are recorded and depreciated in the proper period.

Current Status

Similar finding noted in the 2016 audit, see Finding Number 2016-001.

SIGNIFICANT DEFICIENCIES

Finding Number 2015-002

Condition

In our review of the financial statements, we noted that the City has several funds with negative fund balances.

Recommendation

We recommend that the City review individual fund balances, and accordingly, adjust current and future budgets to either reduce expenditures or increase revenues to remove the negative fund balances.

Current Status

No similar findings noted in the 2016 audit.

CITY OF HIGHLAND

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
(CONTINUED)

For the year ended June 30, 2016

COMPLIANCE AND OTHER MATTERS

Finding Number 2015-003

Condition

The annual report for the successor housing entity was not posted to the City's website for fiscal year 2013-2014.

Recommendation

We recommend that the City implement policies and procedures to ensure reporting of all required elements for SB 341.

Current Status

No similar findings noted in the 2016 audit.

FINDINGS AND QUESTIONED COSTS FOR MAJOR FEDERAL AWARDS PROGRAMS

There were no findings or questioned costs related to major federal awards programs reported for the year ended June 30, 2015.

CITY OF HIGHLAND

APPROPRIATIONS LIMIT WORKSHEET NO. 6

**WITH INDEPENDENT ACCOUNTANTS' REPORT
ON AGREED-UPON PROCEDURES
APPLIED TO APPROPRIATIONS LIMIT WORKSHEET**

FOR THE YEAR ENDED JUNE 30, 2016

INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES
TO APPROPRIATIONS LIMIT WORKSHEET NO. 6

The Honorable City Council
City of Highland
Highland, California

We have applied the procedures enumerated below to the accompanying Appropriations Limit Worksheet No. 6 of the City of Highland, California (the City) for the year ended June 30, 2016. These procedures which were agreed to by the City and the League of California Cities (the League) (as presented in the League publication entitled "Article XIII B Appropriations Limit Uniform Guidelines") were performed solely to assist the City in meeting the requirements of Section 1.5 of Article XIII B of the California Constitution. City management is responsible for the Appropriations Limit Worksheet No. 6.

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users listed in the last paragraph of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested, or for any other purpose.

The procedures performed and our findings were as follows:

1. We obtained the completed Appropriation Limit Worksheet No. 6 for the year ended June 30, 2016, and compared the limit and annual adjustment factors included in that worksheet to the limit and annual adjustment factors that were adopted by resolution of the City Council of the City of Highland, California. We also compared the population and inflation options included in the aforementioned worksheet to those that were selected by a recorded vote of the City Council.

No exceptions were noted as a result of performing this procedure.

2. For the accompanying Appropriations Limit Worksheet No. 6, we added last year's limit to the total adjustments, and compared the resulting amount to this year's limit. We also recalculated the adjustment factors, and the adjustment for inflation and population, and compared the results to the amounts on Appropriations Limit Worksheet No. 6.

The combined adjustment factor of 0.0450669 used to compute the appropriations limit for the year ended June 30, 2016 was calculated using the population factor for the City, which was lower than the population factor for the County of San Bernardino. Had the City used the population factor for the County of San Bernardino, the combined adjustment factor would have been .0494796 and the appropriations limit would have been \$30,336,461.

3. We compared the prior-year appropriations limit presented in the accompanying Appropriations Limit Worksheet No. 6 to the prior-year appropriations limit adopted by the City Council for the prior year.

No exceptions were noted as a result of performing this procedure.

We were not engaged to, and did not perform an audit, the objective of which would be the expression of an opinion on the accompanying Appropriations Limit Worksheet No. 6. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. No procedures have been performed with respect to the determination of the appropriation limit for the base year, as defined by the League publication entitled "Article XIII B Appropriations Limit Uniform Guidelines."

This report is intended solely for the information and use of the City Council and management of the City of Highland, California, and is not intended to be, and should not be, used by anyone other than these specific parties.

White Nelson Dick Evans LLP

Irvine, California
November 7, 2016

CITY OF HIGHLAND

APPROPRIATIONS LIMIT WORKSHEET NO. 6

For the Year Ended June 30, 2016

Appropriations limit for fiscal year ended June 30, 2015 (see Note 2) \$ 28,934,780

Adjustment factors for fiscal year ended June 30, 2016 (see Note 2):

Inflation Factor (Note 3)	Population Factor (Note 4)	Combined Factor	
1.0382000	1.0066142	1.0450669	x 0.0450669

Adjustment for inflation and population 1,303,998

Appropriations limit for fiscal year ended June 30, 2016 \$ 30,238,778

See accompanying notes to Appropriations Limit Worksheet No. 6.

CITY OF HIGHLAND

NOTES TO APPROPRIATIONS LIMIT WORKSHEET NO. 6

For the Year Ended June 30, 2016

1. PURPOSE OF LIMITED PROCEDURES REVIEW:

Under Article XIII B of the California Constitution (the Gann Spending Limitation Initiative), California governmental agencies are restricted as to the amount of annual appropriations from proceeds of taxes. Effective for years beginning on or after July 1, 1990, under Section 1.5 of Article XIII B, the annual calculation of the appropriations limit is subject to a limited procedures review in connection with the annual audit.

2. METHOD OF CALCULATION:

Under Section 10.5 of Article XIII B, for fiscal years beginning on or after July 1, 1990, the appropriations limit is required to be calculated based on the limit for fiscal year 1986-87, adjusted for the inflation and population factors discussed at Notes 3 and 4 below.

3. INFLATION FACTORS:

A California governmental agency may adjust its appropriations limit by either the annual percentage change in the 4th quarter per capita personal income (which percentages are supplied by the State Department of Finance), or the annual percentage change in the local assessment roll from the preceding year due to the change in local nonresidential new construction. The factor adopted by the City of Highland for fiscal year 2015-2016 represents the annual percentage change for per capita personal income.

4. POPULATION FACTORS:

A California governmental agency may adjust its appropriations limit by either the annual percentage change of the jurisdiction's own population, or the annual percentage change in population in the County where the jurisdiction is located. The factor adopted by the City of Highland for fiscal year 2015-2016 represents the annual percentage change in population for the City of Highland.

5. OTHER ADJUSTMENTS:

A California governmental agency may be required to adjust its appropriations limit when certain events occur, such as the transfer of responsibility for municipal services to, or from, another governmental agency or private entity. The City of Highland had no such adjustments for the year ended June 30, 2016.



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

City Council
City of Highland
Highland, California

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Highland, 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 and have issued our report thereon dated November 7, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified a deficiency in internal control that we consider to be a material weakness.

Internal Control over Financial Reporting (Continued)

Capital Asset

Auditors' Comment and Recommendation

During our testing of capital assets, we noted current year additions that were dated prior to current fiscal year. This resulted in a restatement of approximately \$1,087,000 of the beginning balance of the capital asset and net position of governmental activities. We recommend that the City implement procedures and processes to ensure that capital assets are recorded in the proper period.

Management's Response

Finance and Public Works staff will meet monthly to determine which projects will be capitalized and which projects will be placed in CIP. This will help ensure that CIP is not being under reported in the future.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, 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. 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 instance of noncompliance or other matter that are required to be reported under *Government Auditing Standards*.

City's Response to the Auditors' Comment and Recommendation

The City's responses to the auditors' comments and recommendations identified in our audit is described above. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

White Nelson Nick Evans LLP

Irvine, California
November 7, 2016

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

We have audited the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of the City of Highland (the City) for the year ended June 30, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter on planning matters to you dated May 6, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Highland are described in Note 1 to the financial statements. As discussed in Note 1D to the financial statements, in fiscal year 2015-2016, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 72, "*Fair Value Measurement and Application*". GASB Statement No. 72 requires the City to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or income approach. GASB Statement No. 72 establishes a hierarchy of inputs used to measure fair value consisting of three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices included within Level 1, which are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs, and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. GASB Statement No. 72 also contains note disclosure requirements regarding the hierarchy of valuation inputs and valuation techniques that were used for the fair value measurements. There was no material impact on the City's financial statements as a result of the implementation of GASB Statement No. 72. No other accounting policies were adopted and the application of other existing policies was not changed during the year ended June 30, 2016. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Significant Audit Findings (Continued)

Qualitative Aspects of Accounting Practices (Continued)

The most sensitive estimates affecting the City's financial statements were as follows:

- a. Management's estimate of the fair market value of investments is based on market values provided by outside sources.
- b. Management's estimate of the value of capital assets (infrastructure assets) is based on industry standards.
- c. Management's estimate of useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- d. The annual required contributions, pension expense, net pension liability and corresponding deferred outflows of resources and deferred inflows of resources for the City's public defined benefit plans with CalPERS are based on actuarial valuations provided by CalPERS.
- e. The annual required contribution and actuarial accrued liability for the City's Other Post-Employment Benefit Plan is based on certain actuarial assumptions and methods prepared by an outside consultant.

We evaluated the key factors and assumptions used to develop these estimates in determining that they were reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were reported in Note 7 regarding the City's other post-employment benefit plan, Note 8 regarding the CalPERS defined benefit plans and Note 16 regarding the restatement of prior year financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Significant Audit Findings (Continued)

Corrected and Uncorrected Misstatements (Continued)

The following material misstatement detected as a result of audit procedures was corrected by management:

- Liabilities in the general fund were increased to accrue claims against the City.
- The beginning balance of capital assets and net position of the governmental activities were increase to record additions incorrectly expensed in prior year.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 7, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis, the schedule of proportionate share of the net pension liability, the schedule of contributions - defined benefit pension plan, the schedule of funding progress - other post-employment benefits and budgetary comparison schedules for the General and Major Special Revenue Funds, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Other Matters (Continued)

We were engaged to report on the combining and individual non-major fund financial statements and schedules (supplementary information), which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the basic financial statements or to the basic financial statements themselves.

We were not engaged to report on the introductory and statistical sections, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance.

Restriction on Use

This information is intended solely for the information and use of City Council and management of the City, and is not intended to be, and should not be, used by anyone other than these specified parties.

White Nelson Dick Evans LLP

Irvine, California
November 7, 2016



STAFF REPORT

TO THE CITY COUNCIL

DATE: November 22, 2016

FROM: Joseph A. Hughes, City Manager

REVIEWED BY: Ernest Wong, Public Works Director/City Engineer *EW*

PREPARED BY: James Godfredsen, Engineering Project Manager *JG*

SUBJECT: Easement Acceptance/Gary J. Edwards and Felicia M. Edwards (7467 Via Deldene)

RECOMMENDATION: That the City Council (1) accept the Grant of Easement for community trail and sidewalk purposes from Gary J. Edwards and Felicia M. Edwards and (2) direct the City Clerk to record the Grant of Easement.

FISCAL IMPACT: The easement is being granted at no cost to the City.

PUBLIC NOTICE: The agenda for this item was posted at the three locations per Resolution No. 2011-047 and on the City's website.

BACKGROUND: The Conditions of Approval for a single family residence (DRA 015-010) located north of Water Street at 7467 Via Deldene, require dedication of a community trail easement and sidewalk easement. The Grant of Easement from the property owners, Gary J. Edwards and Felicia M. Edwards, is ready for Council acceptance.

V:\11966900\119669 Trail Sidewalk Staff Report.doc

Approved _____	Motion _____	Second _____	Agenda Item No. <u>10</u>
Denied _____	Ayes _____		
Continued _____	Noes _____		File No. _____
Tabled _____	Abstain _____		
	Absent _____		
<i>Betty Hughes</i> City Clerk		<i>Joseph A. Hughes</i> City Manager	

D

E

F

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Use grid coordinates and icon number on ads to find advertiser on map

92346

SAN BERNARDINO NATIONAL FOREST

92346

SITE

- 1 MORENA VILLA DR
- 2 BELLA VILLA CT
- 3 MORENA VILLA DR
- 4 CHRISTINA VILLA CT
- 5 CHANDLER WEST
- 7 ISABELLA VILLA CT
- 8 GREENBRIER PLS

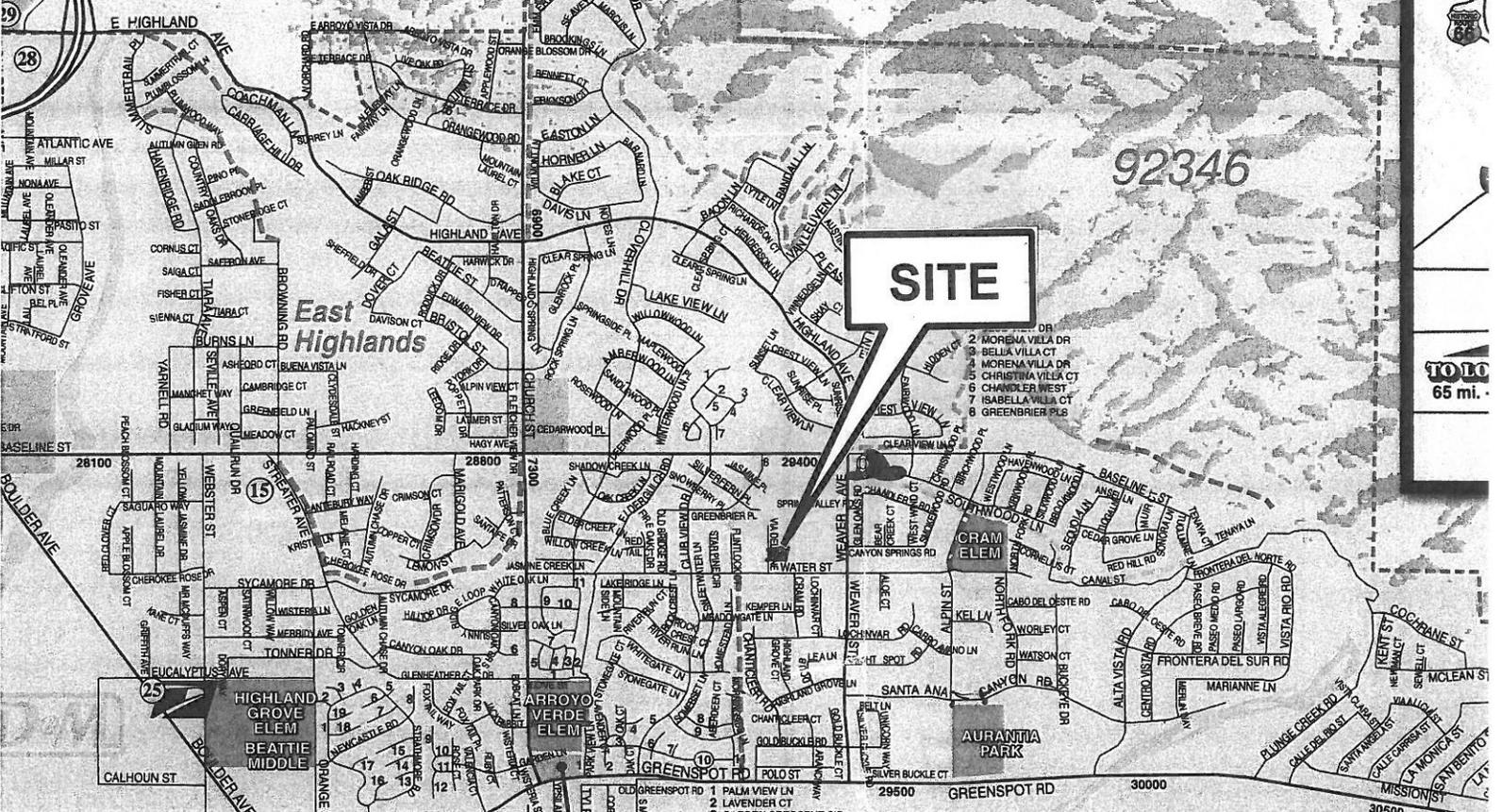
TOLC
65 mi.

East Highlands

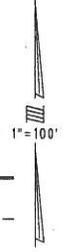
City of HIGHLAND

92346

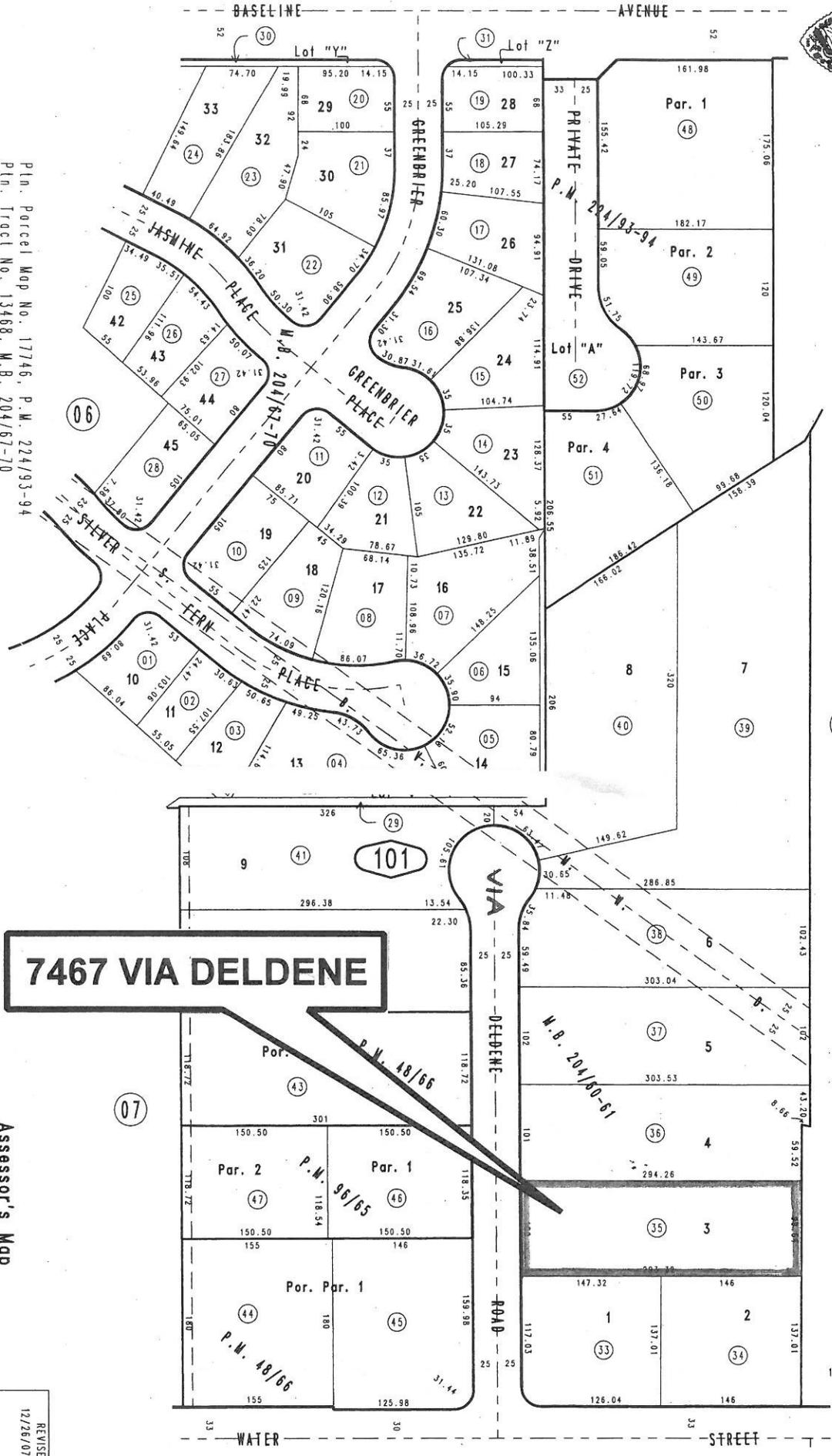
VICINITY MAP



- | | | |
|---------------------|------------------|-------------------|
| 1 VILLAGES LAKES RD | 11 S GARDEN CIR | 1 CALLE RIVERA |
| 2 WINDHAM RD | 12 BOXWOOD CT | 2 CALLE HACIENDA |
| 3 HILLSMERE CIR | 13 WINTHROP WAY | 3 CALLE BASTIA |
| 4 COPLEY CIR | 14 BERWICK LN | 4 CALLE MILAN |
| 5 BRADBURY CIR | 15 CONCORDIA CIR | 5 CALLE TALIA |
| 6 GREENVILLE CIR | 16 KENTON CT | 6 WILLOW OAK LN |
| 7 FEZWICK WAY | 17 BRENTOH PL | 7 AVENIDA CORSICA |
| 8 NEWCASTLE CT | 18 FOXBORO LN | 8 RIVER OAK LN |
| 9 BECKETT CT | 19 BELSHIRE PL | 9 OAKWOOD LN |
| 10 N GARDEN CIR | | 10 RIVER OAKS LN |
| | | 11 OAK-HILL LN |



0288
56



7467 VIA DELDENE

MAY, 1995

Pln. Parcel Map No. 17746, P.M. 224/93-94
Pln. Tract No. 13468, M.B. 204/67-70
Pln. Tract No. 12603, M.B. 204/60-61
Pln. Parcel Map No. 8710, P.M. 96/65

Ptn. N.E. 1/4, Sec. 02
T.1S., R.3W.

Assessor's Map
Book 1210 Page 10
San Bernardino County

REVISED
12/26/07 TY

RECORDING REQUESTED BY:
BETTY HUGHES

WHEN RECORDED MAIL TO:

CITY CLERK
CITY OF HIGHLAND
27215 BASE LINE
HIGHLAND, CA 92346

APN 1210-101-35

SPACE ABOVE THIS LINE FOR RECORDER'S USE

**GRANT OF EASEMENT
(COMMUNITY TRAIL AND SIDEWALK)**

FOR A VALUABLE CONSIDERATION, receipt of which is hereby acknowledged,

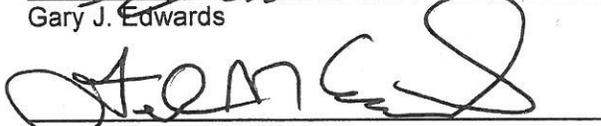
Gary J. Edwards and Felicia M. Edwards, husband and wife, as Community Property with Right of Survivorship,

hereby GRANT to the City of Highland, a Municipal Corporation, an easement for community trail and sidewalk purposes upon, under, over, and across the real property in the City of Highland, County of San Bernardino, State of California, described as:

SEE EXHIBITS "A" AND "B" ATTACHED HERETO AND MADE A PART HEREOF

Dated: NOVEMBER 01, 2016



Gary J. Edwards


Felicia M. Edwards

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA }
COUNTY OF SAN BERNARDINO }

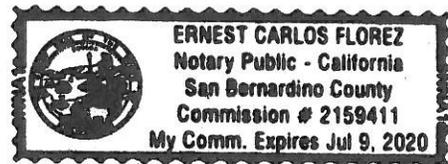
On 01 NOVEMBER 2016, before me, ERNEST CARLOS FLOREZ, Notary Public, personally appeared Gary J. Edwards and Felicia M. Edwards, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) ~~is~~/are subscribed to the within instrument and acknowledged to me that ~~he~~/she/they executed the same in ~~his~~/~~her~~/their authorized capacity(ies), and that by ~~his~~/~~her~~/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.



Signature



(This Area for Official Notary Seal)

EXHIBIT "A"

Parcel A – Community Trail Easement

The east 15 feet of Lot 3 of Tract 12603 as per Map recorded in Book 204 of Maps, Pages 60 and 61, Records of the County of San Bernardino, State of California.

Parcel B – Sidewalk Easement

The south 26 feet of the west 4 feet of Lot 3 of Tract 12603 as per Map recorded in Book 204 of Maps, Pages 60 and 61, Records of the County of San Bernardino, State of California.

Prepared By:


James A. Godfredsen

10-27-16
Date



CITY OF HIGHLAND COUNTY OF SAN BERNARDINO



1"=50'

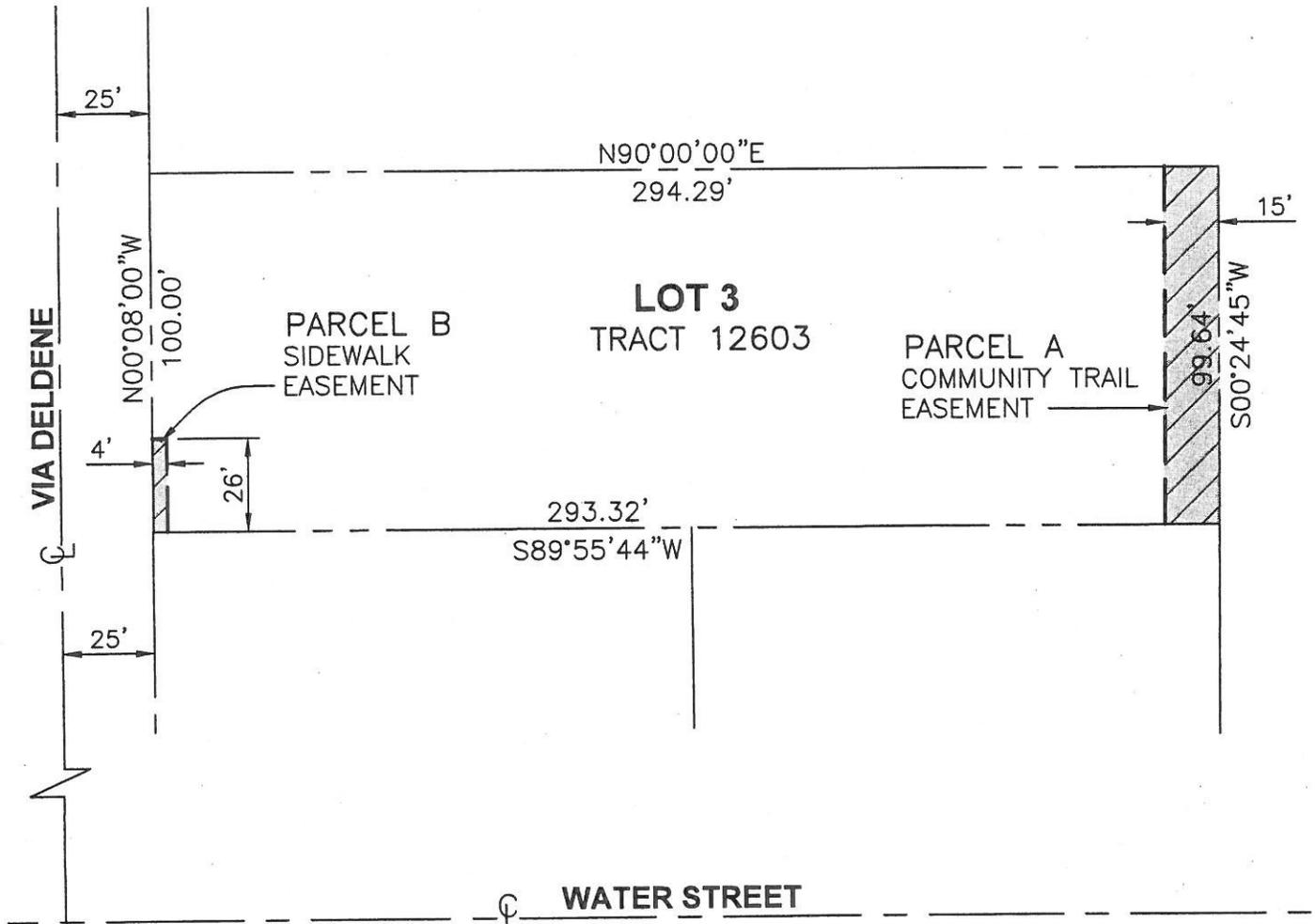


EXHIBIT "B" GRANT OF EASEMENT PLAT

LEGEND

- EXIST PROPERTY LINE
- PROPOSED EASEMENT

PREPARED BY:
ENGINEERING RESOURCES OF
SOUTHERN CALIFORNIA



STAFF REPORT

TO THE CITY COUNCIL

DATE: November 22, 2016

FROM: Joseph A. Hughes, City Manager

PREPARED BY: Lawrence A. Mainez, Community Development Director *Lamm*

SUBJECT: Harmony Development Agreement Execution Extension to December 1, 2016

LOCATION: Harmony Specific Plan

RECOMMENDATION: Staff and LCD Greenspot, LLC recommend the City Council extend the execution of the Harmony Development Agreement (as approved under Ordinance 410) to December 1, 2016.

PREVIOUS ACTION / BACKGROUND: On August 23, 2016, the City Council took action to adopt Ordinance No. 410 approving the Harmony Specific Plan Development Agreement between the City of Highland and LCD Greenspot LLC. In accordance with the City of Highland Municipal Code Section 16.08.080(F)(4), execution of a development agreement shall occur within thirty (30) days after adoption of the effectuating ordinance. In the case of the Harmony Specific Plan Development Agreement the deadline for full execution was September 23, 2016. In addition, the Municipal Code Section 16.08.080(F)(4) allows the timing of extension to be extended by the mutual consent of the City Council and the applicant (LCD Greenspot, LLC).

On November 8, 2016, LCD Greenspot, LLC hand delivered a fully executed Development Agreement to the City and requested full execution be extended to December 1, 2016 (inclusive of recordation with the County Recorder).

At this time it would be appropriate for the City Council to extend the execution of the Harmony Development Agreement to December 1, 2016 to allow sufficient time for the Mayor of the City Highland to execute the Harmony Specific Plan Development Agreement and allow staff sufficient time to have the Agreement recorded with the San Bernardino County Recorder.

Approved _____	Motion _____	Second _____	Agenda Item No. <u>11</u>
Denied _____	Ayes _____		
Continued _____	Noes _____		File No. _____
Tabled _____	Abstain _____		
	Absent _____		
<i>Betty Hughes</i> City Clerk		<i>Joseph A. Hughes</i> City Manager	



STAFF REPORT

TO THE CITY COUNCIL

DATE: November 22, 2016

FROM: Joseph A. Hughes, City Manager

PREPARED BY: Betty Hughes, MMC, City Clerk

SUBJECT: November 6, 2018 General Municipal Election - Submitting a Referendum Measure to the Voters

RECOMMENDATION: That the City Council adopt Resolution No. 2016-_____ ordering that a Referendum Measure be submitted to the voters at the regular General Municipal Election to be held on November 6, 2018.

FISCAL IMPACT: The cost of a regular election is unknown at this time. Adding a referendum to the normal City ballot will increase the cost by an unknown amount.

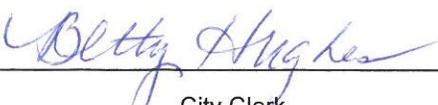
BACKGROUND: On November 8, 2016, the City Council directed staff to prepare the necessary documents to submit a Referendum Measure to the voters at the next regular General Municipal Election to be held on November 6, 2018, and directed staff to prepare the necessary documents to reflect the decision of the Council. Attached is a resolution calling for the submission of a referendum measure to the voters at the next regular General Municipal Election.

The question on the ballot will be:

Shall Ordinance No. 409 approving the Harmony Specific Plan and Ordinance 410 approving the Development Agreement be adopted?	YES
	NO

A resolution setting priorities for the filing of the written arguments, providing for the filing of rebuttal arguments and directing the City Attorney to prepare an impartial analysis will be prepared closer to the election date.

c:\users\bhughes\documents\my documents\election\2016 call election referendum 2018 stf rep.doc

Approved _____	Motion _____	Second _____	Agenda Item No. <u>12</u>
Denied _____	Ayes _____		
Continued _____	Noes _____		File No. _____
Tabled _____	Abstain _____		
	Absent _____		
 _____ City Clerk		 _____ City Manager	

RESOLUTION NO. 2016-_____

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
HIGHLAND, CALIFORNIA, ORDERING A QUALIFIED
REFERENDUM MEASURE TO BE SUBMITTED TO THE VOTERS
AT THE GENERAL MUNICIPAL ELECTION TO BE HELD ON
TUESDAY, NOVEMBER 6, 2018**

WHEREAS, the City Council of the City of Highland on August 23, 2016, adopted Ordinance No. 409 and Ordinance No. 410 providing for the Harmony Specific Plan and Development Agreement; and

WHEREAS, pursuant to authority provided by Division 9, Chapter 3, Article 2 (commencing at § 9235) of the Election Code of the State of California, a petition has been filed with the legislative body of the City of Highland signed by more than ten percent of the registered voters of the city to repeal the ordinances or submit it to a vote of the voters; and

WHEREAS, the San Bernardino County Registrar of Voters examined the records of registration and ascertained that the petition is signed by the requisite number of voters, and has been certified by the City Clerk in accordance with applicable provisions of the law; and

WHEREAS, the City Council has not voted in favor of the repeal of the ordinances; and

WHEREAS, the City Council is authorized and directed by statute to submit the ordinances to the voters.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF HIGHLAND, CALIFORNIA, DOES RESOLVE, DECLARE, DETERMINE AND ORDER AS FOLLOWS:

SECTION 1. That pursuant to the requirements of the laws of the State of California relating to general law cities, the City Council orders the following ordinances submitted to the voters for referendum at the General Municipal Election to be held on Tuesday, November 6, 2018:

Shall Ordinance No. 409 approving the Harmony Specific Plan and Ordinance 410 approving the Development Agreement be adopted?	YES
	NO

SECTION 2. That the text of Ordinance No. 409 and Ordinance No. 410 to be submitted to the voters are attached as Exhibit A.

SECTION 3. That the ballots to be used at the election shall be in form and content as required by law.

SECTION 4. That in all particulars not recited in this resolution, the election shall be held and conducted as provided by law for holding municipal elections.

SECTION 5. That when the November 6, 2018 regular General Municipal Election is formally called by the City Council, the City Clerk shall take such actions as are necessary to establish times, deadlines and priorities for written arguments, ballot materials and election supplies, equipment and paraphernalia.

SECTION 6. That the City Clerk shall certify to the passage and adoption of this resolution and enter it into the book of original resolutions.

PASSED, APPROVED AND ADOPTED this 22nd day of November, 2016.

Larry McCallon
Mayor

ATTEST:

Betty Hughes, MMC
City Clerk

Exhibit "A"

ORDINANCE NO. 409

**AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF HIGHLAND
APPROVING THE HARMONY SPECIFIC PLAN, ESTABLISHING IT AS THE
LEGAL DOCUMENT TO IMPLEMENT THE GENERAL PLAN LAND USE
DESIGNATION OF PLANNED DEVELOPMENT AND THE HARMONY
SPECIFIC PLAN SPR-011-001 ZONING DISTRICT FOR THE
SPECIFIC PLAN AREA**

THE CITY COUNCIL OF THE CITY OF HIGHLAND HEREBY ORDAINS AS FOLLOWS:

Section 1. An application was duly filed by LCD Greenspot, LLC ("Developer") requesting approval of a Specific Plan and other land use entitlements ("the Project") on properties that comprise approximately 1,657 acres generally located in the City of Highland, in the County of San Bernardino, State of California ("the Property"). The Property is more specifically described in the Harmony Specific Plan, attached hereto as Exhibit 1 and incorporated herein by this reference. A duly noticed public hearing was held by the City Council on June 30, 2016, continued on July 21, 2016, and concluded on August 11, 2016, in the City Hall Council Chambers and notice of the time, date, place and purpose of the aforesaid hearing was duly given, all as required by applicable law. The City Council received testimony, written and oral, regarding the Specific Plan.

Section 2. The Planning Commission conducted duly-noticed public hearings on the Project and the proposed Specific Plan set forth in Exhibit 1. Following those hearings, the Planning Commission recommended that the City Council approve the proposed Specific Plan.

Section 3. Based on the full record of these proceedings, pursuant to Highland Municipal Code Section 16.60 and California Government Code Section 65450, et seq., the City Council hereby finds that the proposed Specific Plan attached hereto as Exhibit 1:

- a) Implements and is consistent with the Goals and Objectives of the General Plan. The Harmony Specific Plan contemplates a mixed-use master planned community with a range of residential densities and product types, commercial development, substantial open space, public facilities and services, and a varied circulation system. The Specific Plan's eight guiding goals, along with the implementing objectives and policies, seek to create a livable environment, develop a land use plan responding to the unique environmental conditions of the area, provide for a range of housing to meet the needs of a variety of economic segments, create traditional residential neighborhoods, meet residential needs for commercial, public facilities and other services, plan for a circulation system serving motorists, bicyclists, and pedestrians, create a strong community identity for Harmony, and incorporate sustainable features into all aspects of the community.

The property covered by the Harmony Specific Plan is located in the area the General Plan designates as the Seven Oaks Community Policy Area. General Plan Goal 2.15 foresaw the Seven Oaks Community Policy Area as an opportunity to, "create a one-of-a-kind, high-quality, master-planned estate community in the Seven Oaks area that incorporates substantial scenic, open space, recreation and trail amenities." The Harmony Specific Plan implements and is consistent with that goal and the twelve policies established to guide that goal's implementation including Policy #7, "Implement future development guidance of the Seven Oaks area by means of a specific plan or similar mechanism." As discussed and analyzed in Chapter 12 of the Harmony Specific Plan, the FEIR and elsewhere in the record for this action, the Harmony Specific Plan is also consistent with the other goals and objectives of the General Plan. That analysis included an evaluation of consistency with the General Plan's circulation, public services and facilities, conservation and open space, public health and safety, noise, housing, economic development, and community design elements. The full record of these proceedings demonstrates the Specific Plan's consistency with the General Plan Elements. Thus, the Harmony Specific Plan implements and is also consistent with the goals and objectives of the General Plan; and

- b) Has been reviewed and determined to be in compliance with the City's Land Use and Development Code Chapter 16.60 (Specific Plans). The Harmony Specific Plan includes the elements required of a Specific Plan by California Government Code section 65451 and Municipal Code Chapter 16.60 including, without limitations, the distribution, location and extent of land uses, the proposed distribution, location, extent and intensity of major components of public and private transportation, sewage, water, drainage, solid waste disposal, energy, parks, and other essential facilities proposed to be located within or required by the Harmony Specific Plan, a statement of the relationship of the Specific Plan to the General Plan, and implementation measures. Consistent with Municipal Code section 16.60.060, the components of the Specific Plan, including, without limitations, Chapters 4, 6, 7, 8, 9 and 10, provide for a development that exceeds the minimum standards and quality of development permitted by the Project site's current Planned Development designation and a design that meets or exceeds the minimum design standards established by Section 16.60.060. As reflected in this Ordinance, the recitals above, and Zone Change ZC-011-003, the Specific Plan also complies with the procedural requirements of Chapter 16.60. Thus, the Harmony Specific Plan has been reviewed and determined to be in compliance with the City's Land Use and Development Code Chapter 16.60 (Specific Plans).

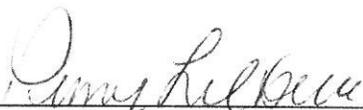
Section 4. Based upon the aforementioned findings, the City Council hereby approves the Specific Plan, establishing it as the legal document to implement the General Plan including, without limitation, the Land Use Designation of Planned Development and the Harmony Specific Plan SPR-011-001 Zoning District for the Specific Plan Area.

Section 5. If any section, subsection, sentence, clause, or phrase of this Ordinance is for any reason held to be invalid or unconstitutional by a decision of any court of any competent jurisdiction, such decision shall not affect the validity of the remaining portions of this Ordinance. The City Council hereby declares that it would have passed this Ordinance, and each and every section, subsection, sentence, clause, or phrase not declared invalid or unconstitutional without regard to whether any portion of the Ordinance would be subsequently declared invalid or unconstitutional.

Section 6. The Mayor shall sign and the City Clerk shall attest to the passage of this Ordinance. The City Clerk shall cause the same to be published once in the City's official newspaper within 15 days after its adoption. This Ordinance shall become effective 30 days after its adoption.

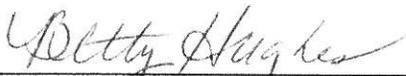
Section 7. The City Council has certified an Environmental Impact Report for the Project (State Clearinghouse No. 2012071065) and adopted the findings and Statement of Overriding Considerations required by CEQA and applicable to this Project as a part of its approval of the Project, in Resolution No. 2016-046 ("FEIR"). Said Resolution is incorporated herein by this reference as though set forth in full. Those actions apply equally to the adoption of this Ordinance and are incorporated herein by this reference.

PASSED, APPROVED AND ADOPTED this 23rd day of August, 2016.



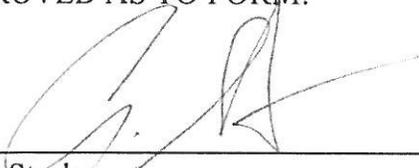
Penny Lilburn
Mayor Pro Tem

ATTEST:



Betty Hughes, MMC
City Clerk

APPROVED AS TO FORM:



Craig Steele
City Attorney

Exhibit 1

Harmony Specific Plan

Adopted Harmony Specific Plan on file with the City Clerk's Office

STATE OF CALIFORNIA)
COUNTY OF SAN BERNARDINO)
CITY OF HIGHLAND)

I, BETTY HUGHES, City Clerk of the City of Highland, California, do hereby certify that Ordinance No. 409 had its first reading on August 11, 2016, and had its second reading on August 23, 2016, and was duly and regularly adopted by the City Council of the City of Highland at a regular meeting of said Council thereof, held on the 23rd day of August, 2016, by the following vote:

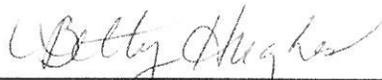
AYES: Racadio, Scott, Timmer

NOES: None

ABSTAIN: Lilburn

ABSENT: McCallon

Dated this 24th day of August, 2016.



BETTY HUGHES, MMC
CITY CLERK

ORDINANCE NO. 410

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF HIGHLAND APPROVING A DEVELOPMENT AGREEMENT BETWEEN LCD GREENSPOT LLC AND THE CITY OF HIGHLAND

THE CITY COUNCIL OF THE CITY OF HIGHLAND HEREBY ORDAINS AS FOLLOWS:

Section 1. An application was duly filed by LCD Greenspot, LLC ("Developer") requesting a Development Agreement and other land use entitlements ("the Project") on properties that comprise approximately 1,657 acres generally located in the City of Highland, in the County of San Bernardino, State of California ("the Property"). The Property is more specifically described in proposed Development Agreement 2012-002, attached hereto as Exhibit 1 and incorporated herein by this reference. A duly noticed public hearing was held by the City Council on June 30, 2016, continued on July 21, 2016, and concluded on August 11, 2016, in the City Hall Council Chambers and notice of the time, date, place and purpose of the aforesaid hearing was duly given, all as required by applicable law. The City Council received testimony, written and oral, regarding the Development Agreement.

Section 2. The Planning Commission conducted duly-noticed public hearings on the Project and the proposed Development Agreement set forth in Exhibit 1. Following those hearings, the Planning Commission recommended that the City Council approve the proposed Development Agreement.

Section 3. Based on the full record of these proceedings, pursuant to Highland Municipal Code Section 16.08.080, the City Council hereby finds that the proposed Development Agreement attached hereto as Exhibit 1:

- 1) Is consistent with the objectives, policies, general land uses and programs specified in the Highland General Plan and applicable specific plan, including the Harmony Specific Plan approved as a part of the Project, because the Project provides a well-planned mix of commercial, residential, and open space uses including public amenities in a currently under-developed area of the City. The Harmony Specific Plan is one of the "Land Use Regulations," as defined in the Development Agreement, that governs and applies to the Property. The Development Agreement also identifies the Specific Plan as the primary document governing Development of the Property, as defined in the Specific Plan. Therefore, the Development Agreement implements the Harmony Specific Plan. As discussed and analyzed in Chapter 12 of the Harmony Specific Plan, the FEIR, the Development Agreement and elsewhere in the record for this action, the Harmony Specific Plan is consistent with the Planned Development land use designation of the Property and the goals and objectives of the General Plan. That analysis included an evaluation of consistency with the General Plan's land use, circulation, public services and facilities, conservation and open space, public health and safety, noise, housing, economic development, and community design elements. Thus, the Development Agreement is consistent with the objectives, policies, general land uses and programs specified in the Highland General Plan and the Harmony Specific Plan;

- 2) Is compatible with the uses authorized in, and the regulations prescribed for, the land use district (as amended for the Project) in which the Property is located as the Harmony Specific Plan authorizes a master planned mixed-use project consistent with the General Plan's Planned Development land use designation. The Development Agreement implements that vision, in part, by defining the Specific Plan, the General Plan and other relevant regulations as the sources of permitted and compatible uses for and the regulation of future development of the Property. Further, the Specific Plan development standards and regulations, in conjunction with compliance with laws, Project conditions of approval and the FEIR's mitigation, monitoring and reporting program, address the potential for incompatibility issues. Thus, the Development Agreement is compatible with the uses authorized in, and the regulations prescribed for, the land use district (as amended for the Project) in which the Property is located;
- 3) Is in conformity with, and will promote public convenience, general welfare and good land use practice as the Development Agreement implements the Specific Plan. The Specific Plan contemplates a master planned, mixed-use community where public services are provided concurrent with or in advance of demand created by the Project. Consistent with public convenience, general welfare and good land use practices, the Development Agreement and Specific Plan collectively require the Project to set aside approximately 580 acres as natural open space, build approximately 104 acres of active and passive parkland, establish an integrated circulation system that balances the needs of vehicular, pedestrian, bicycle and other forms of non-motorized transportation while providing appropriate connections throughout the Property and to off-site areas and develop public facilities such as parks, a fire station and a police substation. Other Project features that also serve those same purposes include the mandates that all homes be "solar ready", 60% of commercial rooftops include solar facilities, the Project accommodate a wildlife movement corridor and the residential component include a range of housing types and sizes to better serve the diverse needs of the City and the region. The Development Agreement also requires the developer to improve many roads before the Project would otherwise necessitate and make substantial financial contributions that the City may use to promote public convenience and general welfare. Thus, the Development Agreement is in conformity with, and will promote, public convenience, general welfare and good land use practice;
- 4) Will not be detrimental to the health, safety and general welfare. The FEIR and other documentation in the City proceedings regarding the Project analyze the potential health, safety and general welfare impacts associated with the Development Agreement. The City Council certified the FEIR and adopted the findings and Statement of Overriding Considerations required by CEQA. Further, potential adverse public health, safety and general welfare impacts are addressed through required compliance with applicable laws, the design guidelines and development standards imposed by the Specific Plan, applicable Conditions of Approval such as those imposed in conjunction with Tentative Tract No. 18871, the provisions of the Development Agreement and the FEIR's mitigation measures. Thus, the Development Agreement will not be detrimental to the health, safety and general welfare;

- 5) Will not adversely affect the orderly development of property or the preservation of property values because the proposed development is conditioned so as to be consistent with the General Plan and compatible with surrounding land uses. The phasing contemplated by the Specific Plan and the timing of the provision of public facilities, services and infrastructure mandated by the Development Agreement, FEIR mitigation measures and Conditions of Approval such as those imposed in connection with the approval of Tentative Tract No. 18871, promote the orderly development of the Property and preservation of property values. The Development Agreement also contemplates the creation of substantial amounts of public open space, enhanced infrastructure and the development of new housing and commercial facilities for new and existing residents of the City and region consistent with the City's economic development strategies and regional planning efforts. Thus, the Development Agreement will not adversely affect the orderly development of property or the preservation of property values;
- 6) Will promote and encourage the development of the proposed project by providing a greater degree of requisite certainty as the vested rights and other assurances granted by the Development Agreement will allow the orderly development of the Property as the economy and real estate environment changes over time; and
- 7) Is consistent with the provisions of California Government Code Sections 65864 through 65869.5. The Development Agreement includes all the mandatory provisions identified by California Government Code Sections 65864 through 65869.5 including, without limitation, periodic reviews, the duration of the agreement, the permitted uses of the Property, the density or intensity of uses, the maximum height and sizes of proposed buildings and provisions for the reservation or dedication of land for public purposes. The City has also complied with all procedural mandates for the adoption of a Development Agreement as required by applicable law. Thus, the Development Agreement is consistent with the provisions of California Government Code Sections 65864 through 65869.5

Section 4. Based upon the aforementioned findings, the City Council hereby approves the Development Agreement attached hereto as Exhibit "1."

Section 5. If any section, subsection, sentence, clause, or phrase of this Ordinance is for any reason held to be invalid or unconstitutional by a decision of any court of any competent jurisdiction, such decision shall not affect the validity of the remaining portions of this Ordinance. The City Council hereby declares that it would have passed this Ordinance, and each and every section, subsection, sentence, clause, or phrase not declared invalid or unconstitutional without regard to whether any portion of the Ordinance would be subsequently declared invalid or unconstitutional.

Section 5. The Mayor shall sign and the City Clerk shall attest to the passage of this Ordinance. The City Clerk shall cause the same to be published once in the City's official newspaper within 15 days after its adoption. This Ordinance shall become effective 30 days after its adoption. The Mayor is authorized to execute the Development Agreement on behalf of the City once this Ordinance is effective. The executed Development Agreement shall be recorded against the title to the property.

Section 6. The City Council has certified an Environmental Impact Report for the Project (State Clearinghouse No. 2012071065) and adopted the findings and Statement of Overriding Considerations required by CEQA and applicable to this Project as a part of its approval of the Project, in Resolution No. 2016-046 ("FEIR"). Said Resolution is incorporated herein by this reference as though set forth in full. Those actions apply equally to the adoption of this Ordinance and are incorporated herein by this reference.

PASSED, APPROVED AND ADOPTED this 23rd day of August, 2016.



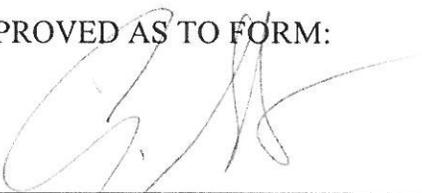
Penny Lilburn
Mayor Pro Tem

ATTEST:



Betty Hughes, MMC
City Clerk

APPROVED AS TO FORM:



Craig Steele
City Attorney

EXHIBIT 1
Development Agreement

Adopted Development Agreement on file with the City Clerk's Office

STATE OF CALIFORNIA)
COUNTY OF SAN BERNARDINO)
CITY OF HIGHLAND)

I, BETTY HUGHES, City Clerk of the City of Highland, California, do hereby certify that Ordinance No. 410 had its first reading on August 11, 2016, and had its second reading on August 23, 2016, and was duly and regularly adopted by the City Council of the City of Highland at a regular meeting of said Council thereof, held on the 23rd day of August, 2016, by the following vote:

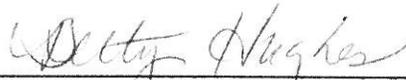
AYES: Racadio, Scott, Timmer

NOES: None

ABSTAIN: Lilburn

ABSENT: McCallon

Dated this 24th day of August, 2016.



BETTY HUGHES, MMC
CITY CLERK



STAFF REPORT

TO THE CITY COUNCIL

DATE: November 22, 2016

FROM: Joseph A. Hughes, City Manager

REVIEWED BY: Ernest Wong, Public Works Director/City Engineer
Lawrence A. Mainez, Community Development Director *LAM*

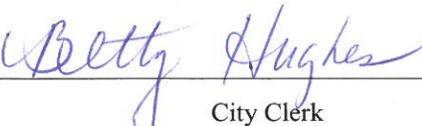
PREPARED BY: Kim Stater, Assistant Community Development Director *KS*

SUBJECT: Proposed City of Highland Community Development Block Grant (CDBG) Applications for Fiscal Year 2017-2018.

RECOMMENDATION: Staff recommends the City Council:

1. Approve the City's Application for Enhanced Code Enforcement that supports thirty percent (30%) of the salary and benefits of the Assistant Community Development Director position, seventy-five percent (75%) of a Code Compliance Officer position and forty percent (40%) of an Administrative Assistant position; and
2. Approve the City's Application to construct pavement rehabilitation on Fairfax Lane, Michael Drive, Court Street, Elm Street and Bertie Lane.

FISCAL IMPACT: The City's estimated grant allocation for Fiscal Year 2017-2018 is \$420,881, equivalent to the current year's. Not more than fifteen percent (15%) of the City's allocation is permitted to be used for Public Service Projects. Examples of Public Service Projects include the Highland Branch Library, Highland Senior Center, and Central Little League. The remainder must be used for Construction Improvement Projects. Examples of these include curb/gutter/sidewalk projects and Code Enforcement.

Approved _____	Motion _____	Second _____	Agenda Item No. <u>13</u>
Denied _____	Ayes _____		
Continued _____	Noes _____		File No. _____
Tabled _____	Abstain _____		
	Absent _____		
 _____ City Clerk		 _____ City Manager	

Given the Federally-mandated percentages, a maximum of \$63,132 is available for Public Service Projects and the remaining \$357,749 or more may be used for Construction Improvement Projects.

Public Service Applications

Staff did not prepare applications that are categorized as Public Service.

Construction Improvements Project Proposal Applications

1. Enhanced Code Enforcement: \$123,997 total request:
 - a. \$33,064 to continue funding thirty percent (30%) of the salary and benefits of the Assistant Community Development Director position.
 - b. \$66,791 to continue funding seventy-five percent (75%) of the salary and benefits of a full-time Code Compliance Officer position.
 - c. \$24,142 to continue funding forty percent (40%) of the salary of an Administrative Assistant.
2. Pavement Rehabilitation: \$250,000 request to construct pavement rehabilitation on Fairfax Lane, Michael Drive, Court Street, Elm Street and Bertie Lane.

PUBLIC NOTICE: The agenda was posted at the City's three (3) designated posting locations as required by Resolution and on the City's Website.

BACKGROUND: The San Bernardino County Economic Development Agency is currently accepting CDBG applications for Fiscal Year 2017-2018. The deadline for submittal is 4pm on December 2, 2016.

The County will determine project eligibility on behalf of the United States Department of Housing and Urban Development (HUD). Eligible Applications from the City and all other Community Based Organizations will be returned to the City in February 2017 for prioritization by the City Council.

The following is a brief summary of the City's proposed Applications:

1. Enhanced Code Enforcement This proposal is a combination of the Neighborhood Revitalization and Code Enforcement Programs. Neighborhood Revitalization has received CDBG funding since 1992. Funding will continue the on-going revitalization effort, development, and revitalization activities in the CDBG Target Area. Code Enforcement has received CDBG funding since 1995 to fund a portion of Code Enforcement activities in the CDBG Target Area. Funding will provide for focused efforts in abating substandard housing and blight in the Target Area (see Attachment 1 – Enhanced Code Enforcement Application).

2. Pavement Rehabilitation Pavement Rehabilitation on Fairfax Lane (6th Street to north terminus), Michael Drive (5th Street to south terminus), Court Street (Marilyn Avenue to Del Rosa Drive), Elm Street (Base Line to south terminus), and Bertie Lane (Eucalyptus Drive to east terminus) (see Attachment 2 – Pavement Rehabilitation Application).

The above CDBG Applications request a total of \$373,997 in Construction Improvements Project Proposals.

Attachment 1 - Enhanced Code Enforcement Application
Attachment 2 - Pavement Rehabilitation Application

ATTACHMENT 1

Enhanced Code Enforcement Application



Log Number
(Office Use Only)

**San Bernardino County
Fiscal Year 2017-2018
Construction Improvement Application**

The following documents must be submitted in the order listed, please be sure to submit all attachments to your application.

<input checked="" type="checkbox"/>	Exhibit 1: Organization Information
<input checked="" type="checkbox"/>	Exhibit 2: Project Information
<input checked="" type="checkbox"/>	Exhibit 3: Project Characteristics
<input checked="" type="checkbox"/>	Exhibit 4: Priority Needs:
<input checked="" type="checkbox"/>	Exhibit 5: Project Budget & Sources
<input checked="" type="checkbox"/>	Exhibit 6: Proposed Goals and Milestones
<input checked="" type="checkbox"/>	Exhibit 7: Agency Capacity Narrative
<input checked="" type="checkbox"/>	Exhibit 8: Civil Rights Laws Compliance And HUD Good Standing
<input checked="" type="checkbox"/>	Exhibit 9: Signatures And Assurances
<input checked="" type="checkbox"/>	Maintenance And Operations Agreement
<input type="checkbox"/>	Application Checklist

The deadline for submitting applications is Friday, December 2, 2016 no later than 4:00 p.m. (Application forms must be received by CDH no later than 4:00 p.m. PST at the office listed above, or must be postmarked by this date).

Exhibit 1: Organization Information

Organization Name:

City of Highland

Organization Address:

27215 Base Line

City/State/Zip: Highland, CA 92346

Phone: (909) 864-8732

Fax: (909) 862-3180

Email: kstater@cityofhighland.org

Applicant Type: Construction/Code Enforcement

Authorized Person Name: Lawrence A. Mainez

Authorized Person's Title: Community Development Director

Address: 27215 Base Line

City/State/Zip: Highland, CA 92346

Phone: (909) 864-8732, x215

Fax: (909) 862-3180

Email: lmainez@cityofhighland.org

Application Contact Person's Name: Kim Stater

Application Contact Person's Title: Assistant Community Development Director

Explain the Agency's 1) Mission, 2) Purpose, 3) Population Served, 4) number of years serving population, 5) Supportive Services, their Funding Sources, and Start/End Dates.

The City of Highland is a local government agency.

1) Highland is dedicated to the betterment of the individual, the family, the neighborhood and the community. The City Council and the staff of the City of Highland are dedicated to providing the quality of public facilities and services that its citizens are willing to fund and will do so as efficiently as possible. This Mission is established to reflect the following beliefs which represent the predominant beliefs of the community. They express what matters most in the conduct of public affairs affecting the citizenry of Highland; Responsibility, Service, Accountability, Creativity, Neighborhood Sustainability, Vision and Family.

2)The purpose is to develop a vibrant economy for the benefit of our citizens and businesses.

3) Highland has a diverse population of approximately 53,000 persons.

4) The City of Highland incorporated in 1987, and thus has served the community for 29 years.

5) N/A

Exhibit 2: Project Information

Project Title:

Enhanced Code Enforcement

Address:

N/A

City /State/Zip:

Highland, CA 92346

County Supervisorial District where project will be located:

1st District 2nd District 3rd District: 4th District 5th District

Is this a new construction project, or a request for additional funding to an existing CDBG Project?

Request for additional funding to an existing CDBG project

If requesting additional funds for an existing CDBG project, provide prior CDBG project number?

HIGH-16-1-15Z

Project Type (Description):

The project proposes to further neighborhood revitalization and enhance code enforcement. It would partially fund three City staff who would inspect residential and commercial property violations and to administer affordable housing, rehabilitation, and economic development programs.

Eligible Block Group

Indicate eligible Block Group to be benefited by CDBG Funds requested (see Attachment E). Provide a map identifying the eligible census block as indicated in the Eligible Census Blocks. The following is a link to obtain maps for the County of San Bernardino: <http://www.sbcountyadvantage.com/For-Site-Selectors/Area-Maps.aspx>

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060710064021, 060710064022,
060710065001
060710074082, 060710074072, 060710074101
060710076011, 060710076012, 060710076013, 060710076014
060710076031, 060710076032, 060710076033, 060710076042

EXHIBIT 2A: Countywide Vision

Indicate Yes/No in the table below which countywide vision goals are pertinent to the proposed project.

Countywide Vision

County Wide Vision	Yes/ No
Implement the Countywide Vision.	Yes <input type="button" value="v"/>
Create, Maintain and Grow Jobs and Economic Value in the County.	Yes <input type="button" value="v"/>
Improve County Government Operations.	No <input type="button" value="v"/>
Operate in a Fiscally-Responsible and Business-Like Manner.	Yes <input type="button" value="v"/>
Ensure Development of a Well-Planned, Balanced, and Sustainable County.	Yes <input type="button" value="v"/>
Maintain Public Safety.	Yes <input type="button" value="v"/>
Provide for the Health and Social Services Needs of County Residents.	Yes <input type="button" value="v"/>
Pursue County Goals and Objectives by Working with Other Governmental Agencies.	Yes <input type="button" value="v"/>

Provide a brief narrative of how your project meets the Countywide Vision:

The City of Highland shares the County's vision for a vibrant economy, quality community health, public safety and housing. The City seeks to enhance its Code Enforcement efforts through the proposed CDBG project. The project will allow the City to address trash and debris, substandard housing, abandoned vehicles, overgrown vegetation and zoning violations at properties that would not otherwise be addressed. The project would fund 75% of a Code Compliance Officer who would spend an equivalent percentage of their time within the CDBG target area. The project would also fund 40% of an Administrative Assistant who would assist the Code Compliance Officer with administrative duties related to the new cases and free the Officer's time to be spent in the field.

The project proposes to funding of 30% of the City's Assistant Community Development Director position. The Director would work on business retention and attraction, development of affordable housing and maintaining existing housing stock. The Director would develop and administer programs in coordination with the City's Housing Authority and strive to improve and provide housing for families of extremely low, very low, low and moderate income. Economic development efforts will seek to grow the City's employment base and retail opportunities that will better support its residents needs.

Exhibit 3: Project Characteristics

Street address and nearest cross streets of the site where the program will be carried out:

Legal property owner:

N/A

What is the current zoning?

N/A

Is this use permitted in this zoning?

N/A

Is a conditional use permit required? Yes/No

No

Complete applicable items for all construction projects:

- **Assessor's parcel number:**

N/A

- **Square footage of proposed building or building addition:**

N/A

- **Square footage of construction site parcel:**

N/A

- **Length of improvements if street, water or sewer project:**

N/A

- **Service capacity of existing facility:**

N/A

- **Improved service capacity of the facility:**

N/A

- **Age of structure:**

N/A

- **Is the structure registered as a historic landmark under state, federal or local Law?**

N/A

Describe the geographic boundaries of the neighborhood, community, or region to be served by this project. This description must include service area boundaries if land acquisition or structural improvements are proposed (attach a map):

Within the City's CDBG Target Area. Map attached.

Exhibit 4: Priority Needs:

Complete the table below by answering “Yes” or “NO”.

Public Facility’s Needs:	Yes/ No:
Senior Center Improvements	No <input type="button" value="v"/>
Community Center Improvements	No <input type="button" value="v"/>
Child Care Center Improvements	No <input type="button" value="v"/>
Youth Center Improvements	No <input type="button" value="v"/>
Park & Recreation Improvements	No <input type="button" value="v"/>
Social Care Facility Improvements	No <input type="button" value="v"/>
Code Enforcement Needs:	Yes <input type="button" value="v"/>
Code Enforcement	Yes <input type="button" value="v"/>
Demolition and Clearance	No <input type="button" value="v"/>
Blight Abatement	Yes <input type="button" value="v"/>
Infrastructure Needs:	No <input type="button" value="v"/>
Water and Sewer Improvements	No <input type="button" value="v"/>
Drainage Improvements	No <input type="button" value="v"/>
Street Improvements	No <input type="button" value="v"/>
Sidewalk Improvements	No <input type="button" value="v"/>
Commercial/ Industrial Infrastructure Development	No <input type="button" value="v"/>
Accessibility Needs:	No <input type="button" value="v"/>
Removal of Architectural Barriers	No <input type="button" value="v"/>
Historic Preservation Needs:	No <input type="button" value="v"/>
Historic Preservation Improvements	No <input type="button" value="v"/>
Other: <input type="text"/>	Select <input type="button" value="v"/>

Exhibit 4: Priority Needs (continued)

HUD Demographics: (Please indicate Yes/No)

- **Does this project help prevent homelessness?**
- **Does this project help the homeless?**
- **Does this project help those with HIV or AIDS?**
- **Does this project primarily help persons with disabilities?**

Why this project is considered a priority?

The project is a priority because the City must protect the health and economic vitality of its residents and businesses by ensuring Code violations are corrected. The City must not allow its housing stock to deteriorate and health and safety violations to go unresolved.

Why this project is needed, Site the evidence to substantiate the need?

The project is needed to improve property conditions in the City, encourage affordable housing and improve economic development efforts.

Why must this proposed project be funded now versus receiving funding in future years?

The need for Code Enforcement and economic development will not be addressed without assistance by local government agencies. The City is best suited to monitor and respond to issues. If concentrated efforts are not made, neighborhoods may continue to decline at a faster and faster rate. Funding the project now instead of later will keep the decline to a minimum.

What are the ramifications if this project is not recommended for funding in this fiscal year?

If the project is not recommended for funding, the City's Code Enforcement efforts would be reduced. Violations may go unanswered and further the decline of properties in the CDBG target area. Housing and economic development efforts would suffer and recovery in the City's economically disadvantaged neighborhoods would be impaired.

What is the project's population to be served?

Enhanced Code Enforcement will be conducted within the City's CDBG target area and will benefit the entire population of approximately 53,000.

What is the projects accomplishment level?

The project will reduce the number of residential and non-residential property violations such as substandard property, trash and debris, overgrown vegetation, illegal construction, inoperative vehicles, etc.

It will assist in the development and administration of housing and economic development programs thereby assisting families of extremely low, very low, low and moderate-income. It will help grow employment and retail opportunities to better support its resident's needs.

Summarize the Scope of Work; include in your summary the number of units or activities the project will complete with CDBG funds.

The Code Compliance Officer will conduct daily inspections and issue warnings and violations as necessary. They will also provide residents and owners with referrals to housing advocates, legal aid and other social services. The Officer will coordinate efforts with San Bernardino County Animal Control, Weed Abatement, Vector Control and Sheriff's Office. Approximately 125 inspections can be expected each month at 80 properties resulting in 30 violations issued.

Economic and housing related activities will be measured by the percentage time spent by the Assistant Community Development Director on activity related to projects and programs in the CDBG Target Area.

Describe how the project preserves a low and moderate-income neighborhood, or provides other community benefits.

The project will halt and improve substandard property conditions that are numerous in the CDBG target area. Considerable decline is visible in lack of maintenance, illegal additions, abandoned vehicles and parking on unimproved surfaces, overgrown vegetation, etc. The identification and rectification of these items will improve individual properties, their surrounding neighborhood and City as a whole.

Business attraction and retention within the target area is key to the revitalization of vacant and substandard commercial and industrial properties. Staff will focus on the proposed 3rd and 5th Street Corridor Master Plan in coordination with the IVDA, SBIAA and surrounding jurisdictions.

Exhibit 5: Project Budget & Sources

Provide the estimated financial data for the project as requested below for the appropriate project group. Costs should be based on the best information available. When preparing this data, consider the following factors: (a) project should be completed in one phase if possible, or if phased, operational capability of the phases should be independent of each other; (b) a phased project should be prioritized and broken into distinct parts, with estimated cost and priority for each part; (c) apply federal prevailing wage rates to construction projects over \$2,000.

Project Budget		
	SB County Share (\$):	Other Source (\$):
Architectural and engineering services	<input type="text"/>	<input type="text"/>
Site acquisition	<input type="text"/>	<input type="text"/>
Local Review application	<input type="text"/>	<input type="text"/>
Construction	<input type="text"/>	<input type="text"/>
Other <input type="text"/>	\$ 123,997	\$ 107,459
Total	\$ 123,997	\$ 107,459
Overall Total Project Cost: (CDBG Share + Other Source)		\$ 231,456

Exhibit 5A: CDBG Funds Requested and Leveraging Information

Indicate the amount(s) being requested by the city, if this is a "multi-city" project list all cities in which CDBG funds are being requested.

City	Amount Requested (\$) (This amount should match the grand total requested from CDBG Share)
Adelanto	<input type="text"/>
Barstow	<input type="text"/>
Big Bear Lake	<input type="text"/>
Colton	<input type="text"/>
Grand Terrace	<input type="text"/>
Highland	\$ 123,997
Loma Linda	<input type="text"/>
Montclair	<input type="text"/>
Needles	<input type="text"/>
Redlands	<input type="text"/>
Twentynine Palms	<input type="text"/>
Yucaipa	<input type="text"/>
Town of Yucca Valley	<input type="text"/>
Total of Funds Benefiting Cooperating Cities	\$ 123,997

Leveraging items may include any written commitments that will be used towards your cash match requirements in the project, as well as any written commitments for building, equipment, materials, services and volunteer time.

Source of Funding:	Type of Funding: (Grant Name, EFSP Money)	Amount (\$):	Date Available: (11/22/2016)
Federal Funding			
State Funding			
County Funding			
Private Funding			
Other:	City of Highland General Fund	\$ 107,459	07/01/2017
Total Leveraging Funds		\$ 107,459	

Exhibit 6: Proposed Goals and Milestones

Explain how the project will meet contract goals milestones. For example, project expenditures and performance/accomplishment goals of 40% by September 30, 50% by December 31st, 80% by March 31st, and 100% by June 30th.

The City's goals are identified as a monthly total. The Code Compliance Officer will spend 75% of his or her time each month in the CDBG target area addressing violations. In the Monthly Monitoring Report, each of these violations will be identified by address and type of violation.

The Assistant Community Development Director will also meet monthly goals; spending at least 30% of their time on economic development and housing projects. Specific projects and time spent on each will also be clearly identified in the Monthly Monitoring Report and provided to the County EDA.

Fill-in the table below with dates for submission of reimbursement claims and the estimated amount of each.

Date of Reimbursement:	Amount (\$):
08/15/2017	\$ 10,333
09/15/2017	\$ 10,333
10/15/2017	\$ 10,333
11/15/2017	\$ 10,333
12/15/2017	\$ 10,333
01/15/2017	\$ 10,333
02/15/2017	\$ 10,333
03/15/2017	\$ 10,333
04/15/2017	\$ 10,333
05/15/2017	\$ 10,333
06/15/2017	\$ 10,333
07/15/2017	\$ 10,334
Total Reimbursement:	\$ 123,997

**EXHIBIT 7: Agency Capacity Narrative
(Non-Profit Organizations Only)**

- Describe the roles of key administrators, staff members, and volunteers within your agency that will implement the proposed project. In your description include experience, education, and licensing qualifications.

- Describe your agency’s experience in administering government and/or public funds.

- Describe your method to sustain project viability over the multi-year process if funding decreases.

INSTRUCTIONS: Complete the table below by marking “YES” or “NO” to the questions listed below.

Question:	Yes/ No
<i>Example: Have you received federal funds in the past five years?</i>	Yes
In the past ten years, has your organization ever had its nonprofit status revoked or withheld by the IRS, the Secretary of State, the State Attorney General, or the Franchise Tax Board?	Select <input type="button" value="v"/>
Has your organization been sued in the last five years?	Select <input type="button" value="v"/>
Are any of your managers or staff with fiscal responsibilities involved in litigation presently that has any bearing on fiduciary trust or employee relations?	Select <input type="button" value="v"/>
Have any unfavorable rulings been handed down by any court against your organization or Executive Director the last five years?	Select <input type="button" value="v"/>
Does your organization currently have any unresolved fiscal, reporting, or program issues with any of its funding sources?	Select <input type="button" value="v"/>

Exhibit 8: Civil Rights Laws Compliance And HUD Good Standing

Answer the following questions:

Has your organization been a past recipient of assistance under a HUD McKinney Act program or the HUD Single Family Property Disposition Homeless Program?

No

If you have been a recipient under either of these programs, has your agency experienced any project or construction delay, HUD finding or outstanding audit that HUD deems serious regarding the administration of HUD McKinney Act programs or the HUD Single Family Property Disposition Homeless Program?

No

If you answered "Yes", please explain the circumstances and outcome below.

N/A

Applicants must be in compliance with applicable civil rights laws and Executive Orders. Applications will be rejected if your agency has any of the following: (1) Any pending civil rights lawsuit instituted by the U.S. Department of Justice; (2) Any noncompliance with civil rights statutes, Executive Orders or regulations as a result of formal administrative proceedings, unless the applicant is operating under a HUD-approved compliance agreement designed to correct the area of noncompliance or is currently negotiating such an agreement; (3) Any unresolved Secretarial charge of discrimination issues under Section 810(g) of the Fair Housing Act, as implemented by 24 CFR 103:400; (4) Any adjudication of a civil rights violation in a civil action brought against the Organization by a private individual, unless the applicant is operating in compliance with a court order designed to correct the area of noncompliance or the applicant has discharged any responsibility arising from such litigation; (5) Any deferral of the processing of applications from the sponsor imposed by HUD under Title VI of the Civil Rights Act of 1964, the Attorney General's Guidelines (28 CFR 50.3) or the HUD Title VI regulations (24 CFR 1.8) and procedures, or under Section 504 of the Rehabilitation Act of 1973 and HUD Section 504 regulations (24 CFR 8.57). If one or more of these situations exists with your Organization, please attach a brief description.

Exhibit 9: Signatures and Assurances

Non-discrimination: This organization will, through all possible means, ensure equal opportunity for all persons to receive services, to participate in the volunteer structure, and to be employed regardless of age, handicap, national background, race, religion, or sex. An existing sectarian nature of the agency shall not suffer impairment under this agreement, but participation in religious observances, rituals or services will not be required as a condition of receiving food, services, or shelter paid for by this grant.

Accountability: We commit this organization, if a grant is received, to provide all reports to the San Bernardino County as required; to expend monies only on eligible costs; to keep complete documentation (copies of all canceled checks, invoices, receipts, etc.) on all expenditures for a minimum of three years; to spend all funds and close out the program on the required date; to return any unused funds to the San Bernardino County; to cooperate with monitoring or site visits, and; to provide complete documentation of expenses to the San Bernardino County, if requested, by the required date.

We affirm that all information in this application is true and correct to the best of our knowledge and that the applicant under our authority will execute its responsibility under the proposed contract and adhere to all other applicable rules and regulations to the fullest extent possible.

Non-collusion: This proposal is genuine, and not sham or collusive, nor made in the interest or in behalf of any person not herein named; the proposer has not directly induced or solicited any other proposer to put in a sham proposal, or any other person, firm or corporation to refrain from submitting a proposal; the proposer has not in any manner sought by collusion to secure for him/herself an advantage over any other proposer.

Signature & Title

11/23/2016
Date

Maintenance and Operations Agreement

Please keep in mind the Maintenance and Operations cost is ineligible for CDBG funds.

All capital improvements or facilities will require a Maintenance and Operation (M & O) contract. The MAINTENANCE AND OPERATION COMMITMENT must be signed by a representative of the M & O entity with authority to obligate the organization.

- 1) MAINTENANCE AND OPERATION COMMITMENT: The governing body of the below named public, quasi-public, or non-profit entity has the financial capacity and is willing to assume the Maintenance and Operation (M & O) responsibility and costs associated with the indicated community development project. This body has reviewed the "Estimated Annual Maintenance and Operation Budget" part of this section. To the best of this body's ability, it has determined this budget to be a true and accurate estimate of the annual M & O costs for the proposed project.

It is understood that without a commitment for maintenance and operation, the indicated project may not be considered for funding under the Community Development Block Grant program. Should this project be funded, a formal M & O contract shall be written and signed before any funds can be released. NOTE: The Maintenance and Operation cost for capital improvements and facilities are not eligible for CDBG funding.

Proposed Project:

Enhanced Code Enforcement

Legal/ Incorporated Name of Prospective M&O Entity:

City of Highland

Address:

27215 Base Line, Highland, CA 92346

Federal I.D. Number of M&O Entity:

33-0270638

Signature: _____ Title: Comm. Development Director

Print Name: Lawrence A. Mainez

Date: 11/23/2016

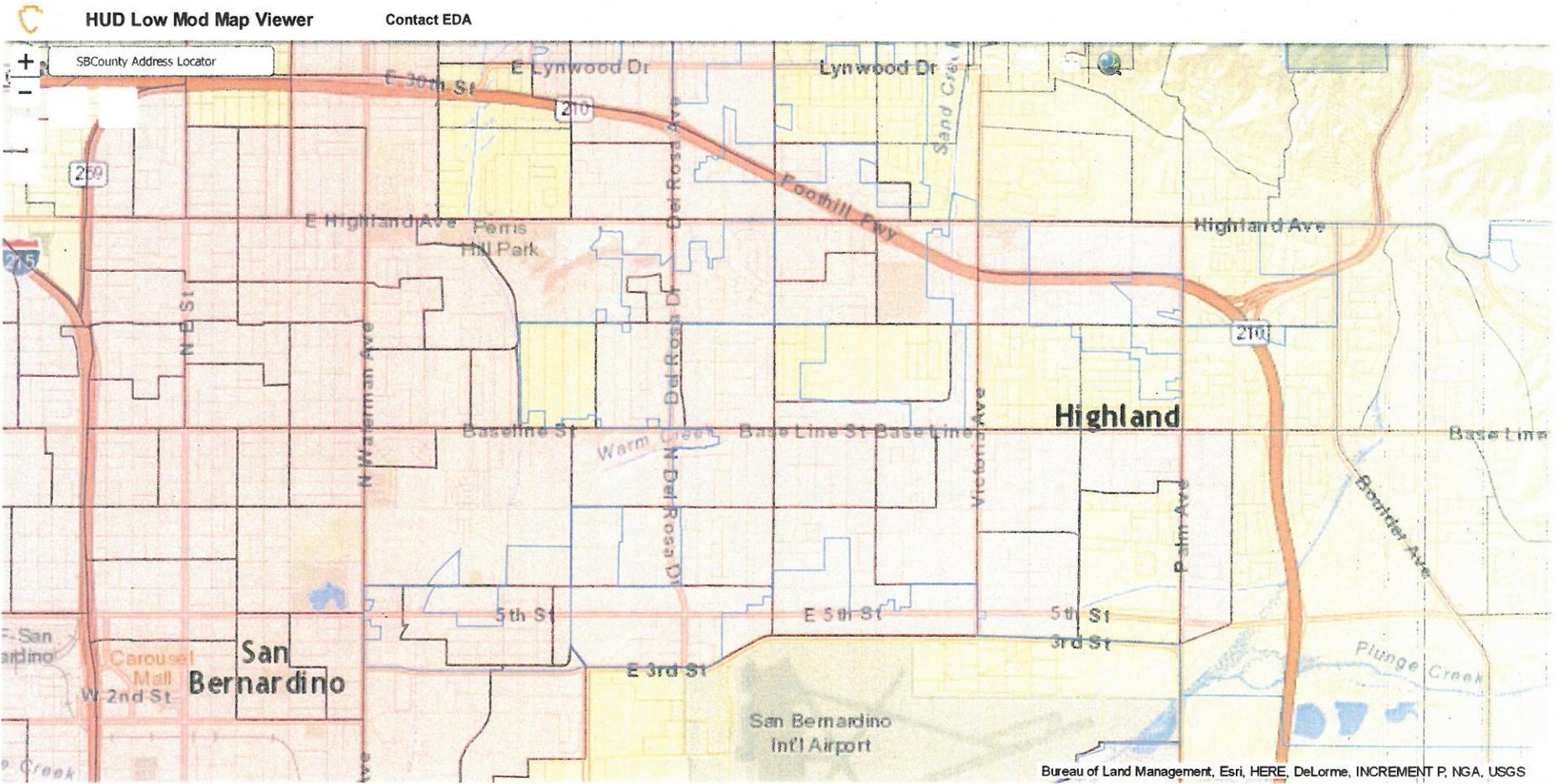
Maintenance and Operations Expenses

Utilities	Amount (\$):
Electric	<input type="text"/>
Water	<input type="text"/>
Gas	<input type="text"/>
Telephone	<input type="text"/>
Disposal Service	<input type="text"/>
Other: <input type="text"/>	<input type="text"/>
Sub-Total	\$ 0
Materials	
Janitorial Supplies	<input type="text"/>
Office Supplies	<input type="text"/>
Recreational Supplies	<input type="text"/>
Ground Supplies	<input type="text"/>
Other: <input type="text"/>	<input type="text"/>
Sub-Total	\$ 0
Maintenance – Capital Improvements	
Building Repair	<input type="text"/>
Maintenance of Equipment	<input type="text"/>
Improvements to Property	<input type="text"/>
Other: <input type="text"/>	<input type="text"/>
Sub-Total	\$ 0
Insurance	
Liability	<input type="text"/>
Fire	<input type="text"/>
Other: <input type="text"/>	<input type="text"/>
Sub-Total	\$ 0

Personnel	
Maintenance	
Secretary	
Administrator	
Program Staff	
Other	
Sub-Total	\$ 0
M& O Annual Expense Total	\$ 0

List out all sources and liabilities such as budget sources, membership, user fees, etc.

Revenue Sources:	Amount (\$):
Budgeted Revenue Total	\$ 0
Assets/ Liabilities	Amount (\$):
Budgeted Revenue minus M&O Expense	\$ 0



BLOCK GROUPS WITHIN THE CITY OF HIGHLAND

0 0.3 0.6mi

X: -42817553.754, Y: 13271784.221 (Foot)

ATTACHMENT 2

Pavement Rehabilitation Program



Log Number
(Office Use Only)

**San Bernardino County
Fiscal Year 2017-2018
Construction Improvement Application**

The following documents must be submitted in the order listed, please be sure to submit all attachments to your application.

<input checked="" type="checkbox"/>	Exhibit 1: Organization Information
<input checked="" type="checkbox"/>	Exhibit 2: Project Information
<input checked="" type="checkbox"/>	Exhibit 3: Project Characteristics
<input checked="" type="checkbox"/>	Exhibit 4: Priority Needs:
<input checked="" type="checkbox"/>	Exhibit 5: Project Budget & Sources
<input checked="" type="checkbox"/>	Exhibit 6: Proposed Goals and Milestones
<input type="checkbox"/>	Exhibit 7: Agency Capacity Narrative
<input type="checkbox"/>	Exhibit 8: Civil Rights Laws Compliance And HUD Good Standing
<input type="checkbox"/>	Exhibit 9: Signatures And Assurances
<input type="checkbox"/>	Maintenance And Operations Agreement
<input checked="" type="checkbox"/>	Application Checklist

The deadline for submitting applications is Friday, December 2, 2016 no later than 4:00 p.m. (Application forms must be received by CDH no later than 4:00 p.m. PST at the office listed above, or must be postmarked by this date).

Exhibit 1: Organization Information

Organization Name:

City of Highland

Organization Address:

27215 Base Line

City/State/Zip: Highland, CA 92346

Phone: (909) 864-8732

Fax: (909) 862-3180

Email: ewong@cityofhighland.org

Applicant Type: CDBG Construction

Authorized Person Name: Ernest Wong

Authorized Person's Title: Public Works Director/City Engineer

Address: 27215 Base Line

City/State/Zip: Highland, CA 92346

Phone: (909) 864-8732

Fax: (909) 862-3180

Email: ewong@cityofhighland.org

Application Contact Person's Name: Ernest Wong

Application Contact Person's Title: Public Works Director/City Engineer

Explain the Agency's 1) Mission, 2) Purpose, 3) Population Served, 4) number of years serving population, 5) Supportive Services, their Funding Sources, and Start/End Dates.

1) Mission: City of Highland is dedicated to the betterment of the individual, the family, the neighborhood and the community. The City Council and City staff are dedicated to providing the quality of public facilities and services that its citizens are willing to fund and will do so as efficiently as possible; 2) Purpose: To develop a vibrant economy for the benefit of our citizens and businesses; 3) Population Served: 53,000; 4) Number of years serving population: 29 years; 5) Supportive services: Transportation, Funding Sources: Local and state funds, Start Date: 7/1/2017, End Date: 6/30/2018

Exhibit 2: Project Information

Project Title:

2017/2018 CDBG Pavement Rehabilitation Project

Address:

27215 Base Line

City /State/Zip:

Highland, CA 92346

County Supervisorial District where project will be located:

1st District 2nd District 3rd District: 4th District 5th District

Is this a new construction project, or a request for additional funding to an existing CDBG Project?

New Construction Project

If requesting additional funds for an existing CDBG project, provide prior CDBG project number?

N/A

Project Type (Description):

Construct Pavement Rehabilitation on five local streets in five neighborhoods within the CDBG area boundaries in the City of Highland including:

1. Fairfax Lane (6th Street to north terminus)
2. Michael Drive (5th Street to south terminus)
3. Court Street (Marilyn Avenue to Del Rosa Drive)
4. Elm Street (Base Line to south terminus)
5. Bertie Lane (Eucalyptus Drive to east terminus)

Eligible Block Group

Indicate eligible Block Group to be benefited by CDBG Funds requested (see Attachment E). Provide a map identifying the eligible census block as indicated in the Eligible Census Blocks. The following is a link to obtain maps for the County of San Bernardino: <http://www.sbcountyadvantage.com/For-Site-Selectors/Area-Maps.aspx>

Block Groups to be benefited:

Census Tract No. 06071006402: Includes Fairfax Lane and Elm Street
 Census Tract No. 06071006500: Includes Court Street and Michael Drive
 Census Tract No. 06071007601: Includes Bertie Lane

See attached map entitled: Project Location by Census Tract

EXHIBIT 2A: Countywide Vision

Indicate Yes/No in the table below which countywide vision goals are pertinent to the proposed project.

Countywide Vision

County Wide Vision	Yes/ No
Implement the Countywide Vision.	Yes <input type="checkbox"/>
Create, Maintain and Grow Jobs and Economic Value in the County.	No <input type="checkbox"/>
Improve County Government Operations.	No <input type="checkbox"/>
Operate in a Fiscally-Responsible and Business-Like Manner.	No <input type="checkbox"/>
Ensure Development of a Well-Planned, Balanced, and Sustainable County.	Yes <input type="checkbox"/>
Maintain Public Safety.	Yes <input type="checkbox"/>
Provide for the Health and Social Services Needs of County Residents.	No <input type="checkbox"/>
Pursue County Goals and Objectives by Working with Other Governmental Agencies.	No <input type="checkbox"/>

Provide a brief narrative of how your project meets the Countywide Vision:

The project includes improvements in five residential neighborhoods that are nearby and have convenient access to commercial and planned development zoned areas. The project will improve public infrastructure from a deteriorated state to new condition, provide a safer and more convenient and attractive transportation environment, and will provide low-income residents with better access to job opportunities in the local area.

Exhibit 3: Project Characteristics

Street address and nearest cross streets of the site where the program will be carried out:

Legal property owner:

City of Highland

What is the current zoning?

Public Street Right-of-Way

Is this use permitted in this zoning?

Yes

Is a conditional use permit required? Yes/No

No

Complete applicable items for all construction projects:

- **Assessor's parcel number:**

N/A

- **Square footage of proposed building or building addition:**

N/A

- **Square footage of construction site parcel:**

103,551 SF pavement surface

- **Length of improvements if street, water or sewer project:**

3,509 LF

- **Service capacity of existing facility:**

N/A

- **Improved service capacity of the facility:**

N/A

- **Age of structure:**

N/A

- **Is the structure registered as a historic landmark under state, federal or local Law?**

N/A

Describe the geographic boundaries of the neighborhood, community, or region to be served by this project. This description must include service area boundaries if land acquisition or structural improvements are proposed (attach a map):

Fairfax Lane (6th Street to north terminus), Michael Drive (5th Street to south terminus), Court Street (Marilyn Avenue to Del Rosa Drive), Elm Street (Base Line to south terminus), and Bertie Lane (Eucalyptus Drive to east terminus) are located within existing CDBG area boundaries in one of the City's lowest socio-economic areas. The proposed street improvement locations are shown on the attached map.

Exhibit 4: Priority Needs:

Complete the table below by answering “Yes” or “NO”.

Public Facility's Needs:	Yes/ No:
Senior Center Improvements	No <input type="text"/>
Community Center Improvements	No <input type="text"/>
Child Care Center Improvements	No <input type="text"/>
Youth Center Improvements	No <input type="text"/>
Park & Recreation Improvements	No <input type="text"/>
Social Care Facility Improvements	No <input type="text"/>
Code Enforcement Needs:	No <input type="text"/>
Code Enforcement	No <input type="text"/>
Demolition and Clearance	No <input type="text"/>
Blight Abatement	No <input type="text"/>
Infrastructure Needs:	Yes <input type="text"/>
Water and Sewer Improvements	No <input type="text"/>
Drainage Improvements	No <input type="text"/>
Street Improvements	Yes <input type="text"/>
Sidewalk Improvements	No <input type="text"/>
Commercial/ Industrial Infrastructure Development	No <input type="text"/>
Accessibility Needs:	Yes <input type="text"/>
Removal of Architectural Barriers	No <input type="text"/>
Historic Preservation Needs:	No <input type="text"/>
Historic Preservation Improvements	No <input type="text"/>
Other: <input type="text" value="N/A"/>	Select <input type="text"/>

Exhibit 4: Priority Needs (continued)**HUD Demographics: (Please indicate Yes/No)**

- **Does this project help prevent homelessness?**

- **Does this project help the homeless?**

- **Does this project help those with HIV or AIDS?**

- **Does this project primarily help persons with disabilities?**

Why this project is considered a priority?

The project is a priority for the City because it will rehabilitate public streets that have deteriorated to very poor conditions with a Pavement Condition Index between 27 and 49. (New street has a PCI of 100.) This project will rehabilitate these streets to new conditions with an extended service life of 20 years.

Why this project is needed, Site the evidence to substantiate the need?

Current street conditions are very poor and, without the rehabilitation proposed herein, would continue to deteriorate and would present a safety hazard for the motoring public.

Why must this proposed project be funded now versus receiving funding in future years?

If not repaired now, these streets will deteriorate to the point that they become hazardous to the motoring public, and that they would need to be completely removed and replaced in the future at a much higher cost.

What are the ramifications if this project is not recommended for funding in this fiscal year?

Street hazards and much higher repair cost in the future, as the streets continue deteriorating.

What is the project's population to be served?

53,000

What is the projects accomplishment level?

This project will rehabilitate neighborhood streets, which have severely deteriorated, to new conditions, and will help to improve quality of life and property values in five of the City's lowest socio-economic neighborhoods.

Summarize the Scope of Work; include in your summary the number of units or activities the project will complete with CDBG funds.

The project will include design and construction for 103,551 SF of pavement rehabilitation on five residential streets in the City of Highland. It will also include construction of three new curb ramps for improved handicap accessibility, repair of approximately 40 LF of broken curb, construction of a new cross gutter for improved street drainage, pavement markings, and a new stop sign.

Describe how the project preserves a low and moderate-income neighborhood, or provides other community benefits.

The proposed pavement rehabilitation will extend the service life of five streets in five of the City's lowest socio-economic neighborhoods for another 20 years.

Exhibit 5: Project Budget & Sources

Provide the estimated financial data for the project as requested below for the appropriate project group. Costs should be based on the best information available. When preparing this data, consider the following factors: (a) project should be completed in one phase if possible, or if phased, operational capability of the phases should be independent of each other; (b) a phased project should be prioritized and broken into distinct parts, with estimated cost and priority for each part; (c) apply federal prevailing wage rates to construction projects over \$2,000.

Project Budget		
	SB County Share (\$):	Other Source (\$):
Architectural and engineering services	\$ 0	\$ 55,000
Site acquisition	\$ 0	\$ 0
Local Review application	\$ 0	\$ 0
Construction	\$ 250,000	\$ 0
Other	\$ 0	\$ 0
Total	\$ 250,000	\$ 55,000
Overall Total Project Cost: (CDBG Share + Other Source)		\$ 305,000

Exhibit 5A: CDBG Funds Requested and Leveraging Information

Indicate the amount(s) being requested by the city, if this is a “multi-city” project list all cities in which CDBG funds are being requested.

City	Amount Requested (\$) (This amount should match the grand total requested from CDBG Share)
Adelanto	<input type="text"/>
Barstow	<input type="text"/>
Big Bear Lake	<input type="text"/>
Colton	<input type="text"/>
Grand Terrace	<input type="text"/>
Highland	\$ 250,000
Loma Linda	<input type="text"/>
Montclair	<input type="text"/>
Needles	<input type="text"/>
Redlands	<input type="text"/>
Twentynine Palms	<input type="text"/>
Yucaipa	<input type="text"/>
Town of Yucca Valley	<input type="text"/>
Total of Funds Benefiting Cooperating Cities	\$ 250,000

Leveraging items may include any written commitments that will be used towards your cash match requirements in the project, as well as any written commitments for building, equipment, materials, services and volunteer time.

Source of Funding:	Type of Funding: (Grant Name, EFSP Money)	Amount (\$):	Date Available: (11/22/2016)
Federal Funding	None		
State Funding	None		
County Funding	None		
Private Funding	None		
Other:	Local Funding	\$ 55,000	07/01/2017
Total Leveraging Funds		\$ 55,000	

**EXHIBIT 7: Agency Capacity Narrative
(Non-Profit Organizations Only)**

- Describe the roles of key administrators, staff members, and volunteers within your agency that will implement the proposed project. In your description include experience, education, and licensing qualifications.

N/A

- Describe your agency’s experience in administering government and/or public funds.

N/A

- Describe your method to sustain project viability over the multi-year process if funding decreases.

N/A

INSTRUCTIONS: Complete the table below by marking “YES” or “NO” to the questions listed below.

Question:	Yes/ No
<i>Example: Have you received federal funds in the past five years?</i>	Yes
In the past ten years, has your organization ever had its nonprofit status revoked or withheld by the IRS, the Secretary of State, the State Attorney General, or the Franchise Tax Board?	<input type="text" value="Select"/>
Has your organization been sued in the last five years?	<input type="text" value="Select"/>
Are any of your managers or staff with fiscal responsibilities involved in litigation presently that has any bearing on fiduciary trust or employee relations?	<input type="text" value="Select"/>
Have any unfavorable rulings been handed down by any court against your organization or Executive Director the last five years?	<input type="text" value="Select"/>
Does your organization currently have any unresolved fiscal, reporting, or program issues with any of its funding sources?	<input type="text" value="Select"/>

Exhibit 9: Signatures and Assurances

Non-discrimination: This organization will, through all possible means, ensure equal opportunity for all persons to receive services, to participate in the volunteer structure, and to be employed regardless of age, handicap, national background, race, religion, or sex. An existing sectarian nature of the agency shall not suffer impairment under this agreement, but participation in religious observances, rituals or services will not be required as a condition of receiving food, services, or shelter paid for by this grant.

Accountability: We commit this organization, if a grant is received, to provide all reports to the San Bernardino County as required; to expend monies only on eligible costs; to keep complete documentation (copies of all canceled checks, invoices, receipts, etc.) on all expenditures for a minimum of three years; to spend all funds and close out the program on the required date; to return any unused funds to the San Bernardino County; to cooperate with monitoring or site visits, and; to provide complete documentation of expenses to the San Bernardino County, if requested, by the required date.

We affirm that all information in this application is true and correct to the best of our knowledge and that the applicant under our authority will execute its responsibility under the proposed contract and adhere to all other applicable rules and regulations to the fullest extent possible.

Non-collusion: This proposal is genuine, and not sham or collusive, nor made in the interest or in behalf of any person not herein named; the proposer has not directly induced or solicited any other proposer to put in a sham proposal, or any other person, firm or corporation to refrain from submitting a proposal; the proposer has not in any manner sought by collusion to secure for him/herself an advantage over any other proposer.

Justin Wang P.W. Director/City Engr.

Signature & Title

11/11/2016

Date

Maintenance and Operations Agreement

Please keep in mind the Maintenance and Operations cost is ineligible for CDBG funds.

All capital improvements or facilities will require a Maintenance and Operation (M & O) contract. The MAINTENANCE AND OPERATION COMMITMENT must be signed by a representative of the M & O entity with authority to obligate the organization.

- 1) MAINTENANCE AND OPERATION COMMITMENT: The governing body of the below named public, quasi-public, or non-profit entity has the financial capacity and is willing to assume the Maintenance and Operation (M & O) responsibility and costs associated with the indicated community development project. This body has reviewed the "Estimated Annual Maintenance and Operation Budget" part of this section. To the best of this body's ability, it has determined this budget to be a true and accurate estimate of the annual M & O costs for the proposed project.

It is understood that without a commitment for maintenance and operation, the indicated project may not be considered for funding under the Community Development Block Grant program. Should this project be funded, a formal M & O contract shall be written and signed before any funds can be released. NOTE: The Maintenance and Operation cost for capital improvements and facilities are not eligible for CDBG funding.

Proposed Project:

2017/2018 CDBG Pavemetn Rehabilitation Project

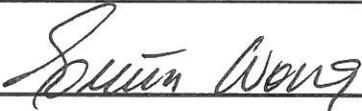
Legal/ Incorporated Name of Prospective M&O Entity:

City of Highland

Address:

27215 Base Line, Highland, CA 92346

Federal I.D. Number of M&O Entity:

Signature: 

Title: Public Works Dir. / City Engr.

Print Name: Ernest Wong

Date: 11/11/2016

Maintenance and Operations Expenses

Utilities	Amount (\$):
Electric	\$ 0
Water	\$ 0
Gas	\$ 0
Telephone	\$ 0
Disposal Service	\$ 0
Other: <input type="text"/>	\$ 0
Sub-Total	\$ 0
Materials	
Janitorial Supplies	\$ 0
Office Supplies	\$ 0
Recreational Supplies	\$ 0
Ground Supplies	\$ 0
Other: <input type="text"/>	\$ 0
Sub-Total	\$ 0
Maintenance – Capital Improvements	
Building Repair	\$ 0
Maintenance of Equipment	\$ 0
Improvements to Property	\$ 0
Other: <input type="text" value="Street Pavement maintenance over 20-year service life"/>	\$ 150,000
Sub-Total	\$ 150,000
Insurance	
Liability	\$ 0
Fire	\$ 0
Other: <input type="text"/>	\$ 0
Sub-Total	\$ 0

Personnel	
Maintenance	\$ 0
Secretary	\$ 0
Administrator	\$ 0
Program Staff	\$ 0
Other	\$ 0
Sub-Total	\$ 0
M& O Annual Expense Total	\$ 150,000

List out all sources and liabilities such as budget sources, membership, user fees, etc.

Revenue Sources:	Amount (\$):
Gasoline Tax	\$ 150,000
Budgeted Revenue Total	\$ 150,000
Assets/ Liabilities	Amount (\$):
Budgeted Revenue minus M&O Expense	\$ 0

**CDBG Application Checklist
(Non-Profit Agency Only)**

Community-based organizations are required to include one copy of the items listed below. If you are not submitting these items at this time, please notify Community Development and Housing at (909) 387-4705 to make other arrangements. The following information is required before any contract or reimbursement can be completed.

- **Summary of agency's current year General Operating Budget**
- **List of agency's Board of Directors, including names and addresses**
- **Proof of existing non-profit/tax-exempt status (Letters from the Federal Internal Revenue Service and State Franchise Tax Board)**
- **Current certificate of insurance and amounts covered**
- **Organizational chart**
- **Minutes of last Board meeting**
- **Non- Profit agency's must be Registered in the System of Award Management (SAM) website <https://www.sam.gov/portal/public/SAM/> . Agency cannot be funded if they have been debarred in the past.**
- **Provide board minutes/letter that authorizes the executive director or program manager to run the project.**

If your application is funded you will be required to provide a copy of your last audit and your Articles of Incorporation and Bylaws must be on file.



STAFF REPORT

TO THE CITY COUNCIL

DATE: November 22, 2016

FROM: Joseph Hughes, City Manager

REVIEWED BY: Ernest Wong, Public Works Director/City Engineer *EW*

PREPARED BY: Jim Richardson, Public Works Manager *JR*

SUBJECT: Bid Award – Bid No. 2016-04 “Traffic Striping and Pavement Marking”

RECOMMENDATION: It is recommended that the City Council award Bid No. 2016-04 “Traffic Striping and Pavement Marking” to Safe USA, Inc.

FISCAL IMPACT: The City’s current two-year budget under Gas Tax includes \$25,000 per year for pavement striping on various City streets.

Pursuant to the contract specifications, the City has the option of extending the contract for 5 one-year periods. If the City chooses to extend the contract, the contract unit prices shall be adjusted as agreed to between the City and the Contractor, but in no case shall the unit prices be adjusted higher than the average percentage changes of the Engineering News Record Cost Indexes for Skilled Labor and for Material in the Los Angeles region. The indexes used shall be based on those published in the first issue in November 2016, and shall be compared with the indexes published in the first issue in November of subsequent years.

PUBLIC NOTICE: The agenda for this item was posted at the three locations per Resolution No. 2011-047 and on the City’s website. The notice inviting bids was advertised on two newspapers and a number of trade papers.

BACKGROUND: This contract is for the annual pavement striping on various City streets. Locations for pavement striping will be selected by City staff in the future based on the condition of existing striping. In addition to pavement striping, this contract also includes misc. supplemental work such as minor slurry seal and signage. The Contractor will also respond to requests for emergency striping on an as-needed basis.

Approved _____	Motion _____	Second _____	Agenda Item No. <u>14</u>
Denied _____	Ayes _____		
Continued _____	Noes _____		File No. _____
Tabled _____	Abstain _____		
	Absent _____		
<i>Betty Hughes</i>		<i>Joseph Hughes</i>	
City Clerk		City Manager	

Six bids were received and opened at 10:00 a.m. on November 3, 2016. The total bid amounts were based on unit prices and the assumed quantities of the various work items as specified in the bid document. Actual quantities of work may vary depending on the City's needs. The contractor will be compensated based on the actual quantities of work and the unit prices specified in the contractor's bid.

Following are the bid results:

Safe USA, Inc.	\$22,842.00
Chrisp Company	\$23,017.00
Cal Stripe, Inc.	\$23,872.00
Superior Pavement Markings	\$25,775.00
Cat Tracking, Inc.	\$26,975.00
PCI	\$29,930.00

The apparent low bid was received from Safe USA, Inc. in the amount of \$22,842.00. The engineer's estimate is \$25,000.00. Staff has checked and is satisfied with Safe USA, Inc. bid.



STAFF REPORT

TO THE CITY COUNCIL

DATE: November 22, 2016

FROM: Joseph A. Hughes, City Manager

PREPARED BY: Lawrence A. Mainez, Community Development Director *[Signature]*

SUBJECT: The Second Reading of Ordinance No. 412 amending the Residential Rental Enhancement Program and Business License Regulations (MCA-16-002)

LOCATION: City Wide

RECOMMENDATION: Conduct a Second Reading of Ordinance No. 412 amending Chapter 15.52 (Residential Rental Enhancement Program) of Title 15 (Building and Construction) of the City of Highland Municipal Code to include a provision for property owner self-certification along with other amendments designed to streamline the program process, and to amend Chapter 5.04 (Business License General) of Title 5 (Business Licenses and Regulations) of the Highland Municipal Code to include a revocation and appeals process for residential rental properties (MCA-16-002).

PREVIOUS ACTION / BACKGROUND: On November 8, 2016, the City Council took action to adopt Ordinance No. 412, with revisions to Section 15.52.040 (30 day notification) and Section 15.52.080 B (removal of annual inspection provision).

Staff Recommends the City Council recognize the subject Ordinance, and adopt as revised.

Attachment:

1. Ordinance No. 412, amending the Residential Rental Enhancement Program and Business License Regulations (MCA-16-002).

Approved _____	Motion _____	Second _____	Agenda Item No. <u>15</u>
Denied _____	Ayes _____		
Continued _____	Noes _____		File No. _____
Tabled _____	Abstain _____		
	Absent _____		
<i>Betty Hughes</i> City Clerk		<i>[Signature]</i> City Manager	

ATTACHMENT - 1

**ORDINANCE NO. 412, amending the Residential Rental
Enhancement Program and Business License Regulations
(MCA-16-002)**

ORDINANCE NO. 412

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF HIGHLAND, CALIFORNIA, AMENDING CHAPTER 15.52 (RESIDENTIAL RENTAL ENHANCEMENT PROGRAM) OF TITLE 15 (BUILDINGS AND CONSTRUCTION) AND AMENDING CHAPTER 5.04 (BUSINESS LICENSES GENERALLY) OF TITLE 5 (BUSINESS LICENSES AND REGULATIONS) OF THE HIGHLAND MUNICIPAL CODE (MCA-16-002)

THE CITY COUNCIL OF THE CITY OF HIGHLAND DOES ORDAIN AS FOLLOWS:

SECTION 1. Chapter 15.52 (Residential Rental Enhancement Program) of Title 15 (Buildings and Construction) of the Highland Municipal Code is hereby amended in its entirety to read as follows:

“Residential Rental Enhancement Program

Sections:

- 15.52.010 Definitions.
- 15.52.020 Exemptions.
- 15.52.030 Maintenance of records.
- 15.52.040 Residential rental enhancement program certification application.
- 15.52.050 Application fee.
- 15.52.060 Change of ownership.
- 15.52.070 Right of entry for inspection by owner.
- 15.52.080 Self-certification inspection procedures.
- 15.52.090 Business license certificate required.
- 15.52.100 Business license renewal.
- 15.52.110 Revocation of business license certificate.
- 15.52.120 Appeal to the city council.
- 15.52.130 Notice required if property is no longer used as a residential rental.
- 15.52.140 Nuisance, injunction, and other remedies available and nonexclusive.

15.52.010 - Definitions.

- A. “Application” means a residential rental enhancement application.
- B. “Board” means the city’s public nuisance hearing board as established by the city council.
- C. “Boarding unit” means a dwelling unit where lodging is provided with or without means for compensation, for seven or more persons, such that it is required to be licensed as a social care facility.

- D. "Business License Certificate" means a business license certificate issued by the City's finance department for a residential rental unit.
- E. "City" means the city of Highland.
- F. "Director" means the community development director for the city of Highland.
- G. "Granny flat" means a residential occupancy of an accessory dwelling unit located on the same parcel as the principal dwelling unit which is occupied by one or two adults, who have reached the age of 60, and are dependents of the residents of the primary unit, or are court-appointed conservatees of a resident of the principal unit, or are members of a very low income household as specified in Section 50105 of the California Health and Safety Code and are related to the residents of the principal unit by birth, marriage, or adoption. For the purposes of this section, "dependent" means a related individual who is dependent upon the resident of the principal unit for financial support or health care. An individual will be determined to be a financial dependent if claimed by the resident of the primary unit as a dependent on his or her federal or state income tax return. An individual will be determined to be a dependent for health care reasons if he or she is considered blind or disabled as defined in Section 1614 (a) of Title XVI of the Social Security Act.
- H. "Inspector" means the building official, or code compliance officer, or designees for the city of Highland responsible for conducting the residential rental unit inspection.
- I. "Occupant" means any person who occupies a unit, as a tenant or permittee of the owner, but not an owner-occupied unit.
- J. "Owner" means the record owner of the residential rental unit.
- K. "Owner-occupied" means a residential unit which is solely occupied by the owner.
- L. "Person" means an individual, partnership, corporation or association or the rental agent of any of the foregoing.
- M. "Permittee" is person who has the owner's permission to occupy a residential rental unit but who does not pay rent, lease or sublease the residential rental unit, or provide other financial consideration (including, but not limited to the payment of utilities).
- N. "Residential rental unit" means any attached or detached single family, two-family or multi-family residential building, which is not owner-occupied, and that is available for rent, lease, sub-lease, or other financial compensation. A residential rental unit consists of any residential dwelling unit of one or more rooms designed for nontransient living and sleeping purposes, containing a

kitchen or a food preparation area, one or more bathrooms and any other living areas for use solely by the occupant or occupants.

15.52.020 - Exemptions.

A. The requirements of this chapter shall not apply to the following:

1. Boarding houses.
2. Granny flats.
3. Hospitals, convalescent care facilities, and nursing homes.
4. Mobilehomes within mobilehome parks.
5. Owner-occupied units.
6. Units occupied by an owner's family member who does not provide any form of financial compensation to the owner for living in the unit.

15.52.030 - Maintenance of records.

All records, files and documents pertaining to the residential rental enhancement program, except business licenses, shall be maintained by the code enforcement division and made available to the public as allowed or required by state law or city ordinance.

15.52.040 - Residential rental enhancement program certification application.

No person shall hereafter occupy, allow to be occupied or let to another person for occupancy any residential rental unit within the city for which a completed application has not been properly filed with the code enforcement division of the city as required herein. The application shall be made upon forms furnished by the finance department of the city for such purpose and shall be filed within thirty (30) calendar days following the date of notice that an application is due is sent by the city or the date the residential rental unit is occupied, whichever is earlier and shall specifically require the following minimum information:

- A. Name, address and phone number of the owner.
- B. Name, address and phone number of the designated local property manager if the owner lives outside of the city.
- C. The street address of the residential rental unit.
- D. The number and types of units within the residential rental unit (e.g., dwelling units or sleeping rooms).

E. A completed self-certification checklist as set forth in Section 15.52.080.

15.52.050 – Application fee.

An application fee shall be paid concurrently with the filing of an application in an amount established by resolution of the city council.

15.52.060 - Change of ownership.

Within thirty (30) days of change or transfer of ownership of the residential rental unit, the new owner shall file a new application, including a new self-certification checklist, along with fees as established by resolution of the city council.

15.52.070 - Right of entry for inspection by owner.

This chapter contemplates a self-certification inspection process conducted by the owner of a residential rental unit. As provided herein, the owner is required to make both exterior and interior inspections of the residential rental unit which is subject to the terms of this chapter. The owner shall utilize the provisions of Civil Code section 1954 to make an interior inspection of the residential rental unit as required by this chapter.

15.52.080 – Self-certification inspection procedures.

- A. The director shall prepare self-certification inspection checklist to be used by the owner. The self-certification inspection checklist will certify that health and safety, building code and fire code violations do not exist on the residential rental unit. The self-certification inspection checklist shall be attached to the application and shall be signed and submitted by the owner at the time the application is submitted. The City shall not issue a business license if a completed self-certification checklist is not included with the application.
- B. Upon receipt of a completed application the director shall cause each residential rental unit which is not exempted from the provisions of this chapter to be photographed from the public right of way and inspected from the public right of way to determine compliance with applicable city and state codes relating to zoning, building, health, safety and property maintenance. Said photography and inspection shall be conducted by the city within two (2) weeks of the receipt of a complete application.
- C. If upon receipt of a completed application, self-certification checklist and subsequent right of way inspection as noted above in section 15.52.080(B), the residential rental unit is found to be in compliance with said codes and ordinances, the director shall approve the issuance of a business license certificate.

- D. If upon a right of way inspection as noted in section 15.52.080(B) violations of one or more provisions of applicable city codes and ordinances and/or state law are noted, the city shall provide written notice of such violations to the owner, local property manager, and to each affected residential rental unit within fifteen (15) working days following the inspection or within a reasonable time thereafter. The notice of violation shall include a reinspection date before which such violations shall be corrected and information that the lessor cannot retaliate against a lessee pursuant to Section 1942.5 of the California Civil Code. All violations must be corrected within thirty (30) days of receipt of notice of violation, or as may otherwise be approved or required by the director. If the violations are corrected within the thirty (30) day period, the director shall authorize the issuance of a business license certificate for the residential rental unit.
- E. If the violations have not been corrected by the date of the reinspection, the director shall not authorize the issuance of a business license certificate and an administrative citation shall be issued in the manner described in HMC 15.52.080(G). The city may take any action necessary to enforce compliance with applicable city codes and ordinances and state law. If such uncorrected violations do not pose an immediate threat to the health, safety and welfare of the occupants, the director may, in his or her discretion, authorize the occupancy of the residential rental units for a period not to exceed ninety (90) days. If the residential rental unit which has been cited is vacant at the time the violations are cited, it may not be occupied until such time as the violations have been corrected.
- F. Any owner or local property manager aggrieved by the determination of the director may appeal to the board. Said appeal must be in writing and must be filed not more than ten (10) calendar days following the service of the administrative citation. The appeal shall be submitted to the city clerk on the appropriate forms with the appropriate fee established by resolution of the city council, and shall specify the basis for the appeal. The appellant shall be provided with an opportunity to testify before the board. The appeal shall be set for hearing before the board within ninety (90) days of receipt of a completed appeal application by the city. Following determination of the matter by the board, the appellant shall be notified of the decision of the board, which shall also be mailed to each affected residential rental unit. The decision of the board shall be final unless appealed to the city council in accordance with the procedure described in HMC 15.52.120.

15.52.090 – Business license certificate required.

- A. Subject to the exemptions provided in HMC 15.52.020, no person shall occupy, rent, let or let for occupancy or permit occupancy of any residential rental unit subject to this chapter without having a valid, current business license certificate required herein for that residential rental unit.

- B. The business license certificate issued pursuant to HMC 15.52.080(C) shall expire one year from the date of issuance.
- C. The business license certificate at a minimum shall provide the following information:
 - 1. Date of issuance.
 - 2. Legal use of the residential rental unit.
 - 3. Address of the residential rental unit.
 - 4. The owner's name and address, and the name and address of any local property manager or agent of the owner to be contacted in case of emergency or for repair authorization.
 - 5. Date of expiration of business license certificate.
 - 6. That "the residential rental unit has been self-certified. A business license certificate is not a warranty or guarantee that there are no defects in the residential rental unit, nor shall the city be held responsible for defects on the property."
- D. The owner or occupant of any residential rental unit subject to this chapter may request that the city conduct both an interior and exterior inspection of said residential rental unit(s) therein at any time. If the city is unable to obtain consent from the occupant to inspect the interior of the residential rental unit, the city may seek a court order to conduct such an inspection. Inspections other than those required pursuant to the terms of this chapter shall be a building and safety special inspection made at the expense of the requesting owner.
- E. The city may conduct additional inspections prior to expiration of a business license certificate, if the city reasonably believes that a violation exists on the residential rental unit. Such inspections may be based upon, but are not limited to, receipt of complaints from occupants, local agencies, or other third parties. The city shall provide notice of the inspection and follow the inspection procedures set forth in HMC Section 15.52.090(D).
- F. Upon the request of an existing or prospective tenant, the owner or the owner's agent or local property manager shall produce the business license certificate.

15.52.100 – Business license renewal.

The owner must pay a business license renewal fee each year. The owner or local property manager must also file a new application, concurrently with a self-

certification form, if any of the information contained in the initial application has changed.

15.52.110 - Revocation of a business license certificate.

- A. If the city determines that violations exist on the residential rental unit, the city shall issue an administrative citation and notify the owner in writing that their business license certificate may be revoked if the violations are not corrected within thirty (30) days of receipt of an administrative citation, or such other time that may be required by the director. The city shall follow the process set forth in Section 5.04.360 for revoking business licenses.
- B. Nothing in this chapter shall prevent an owner from reapplying for a new business license certificate provided that the owner is current on all fees, files a new application pursuant to HMC 15.52.040, and completes a new self-certification form pursuant to the requirements of HMC 15.52.080.

15.52.120 - Appeal to the city council.

Any person aggrieved by the determination of the board may appeal to the city council. Said appeal must be in writing, filed not more than ten (10) calendar days following the service of the board's notice of determination on the owner. The appeal shall be submitted to the city clerk on the appropriate forms with the appropriate fee established by resolution of the city council, and shall specify the basis for the appeal. The aggrieved person shall be provided with an opportunity to testify before the city council. The appeal shall be set for hearing before the city council within ninety (90) days of receipt of a completed appeal application by the City. Following determination of the matter by the city council, the appellant shall be notified of the decision of the city council, which shall also be mailed to each affected residential rental unit and posted in a conspicuous location on the residential rental unit. The decision of the city council shall be final.

15.52.130 - Notice required if property is no longer used as a residential rental.

If the owner ceases to use the property as a residential rental, the owner is required to notify the city in writing within thirty (30) days from the date that the property ceases to be used as a residential rental.

15.52.140 - Nuisance, injunction, and other remedies available and nonexclusive.

- A. It shall be considered a public nuisance to occupy, allow to be occupied or maintain any residential rental unit which fails to comply with state and local laws as they relate to housing standards, property maintenance, building codes, local zoning or other state and city codes and ordinances.

- B. Any violation of this chapter is hereby declared to be a public nuisance subject to recovery of nuisance abatement expenses as set forth in HMC 8.28.020. Pursuant to California Health and Safety Code Section 17980(f), the city may charge the owner for any postage or mileage costs related to any violations.
- C. The remedies provided in this chapter are nonexclusive, and nothing herein shall prevent the enforcement of violations which are the subject of this chapter by any other civil, criminal or administrative remedy available by law; and nothing in this chapter shall limit or otherwise affect the rights of the city, the director, or any other duly authorized city employee or agent to bring civil, criminal and/or administrative enforcement actions, undertaken individually or in conjunction with other remedies, to enforce violations of the state or city codes and ordinances which are the subject of this chapter.
- D. Nothing in this chapter shall prevent the city, its authorized officials, employees and agents from taking action under any other city code, including, but not limited to, fire codes, zoning codes or other health and safety codes, for violations thereof, to seek injunctive relief or criminal prosecution of such violations in accordance with the terms and conditions of the particular ordinance or code under which the city would proceed against the owner, local property manager or occupant of any residential rental unit covered by this residential rental enhancement program.
- E. In addition to the remedies and penalties set forth herein, the city in its sole discretion, may also refer any qualifying property to the State Franchise Tax Board Substandard Housing Program to disallow income tax deductions claimed for interest, taxes, amortization, and depreciation related to substandard housing.

SECTION 2. Section 5.04.360 (Residential Rental) of Chapter 5.04 (Business Licenses Generally) of Title 5 (Business Licenses and Regulations) of the Highland Municipal Code is hereby amended in its entirety to read as follows:

"5.04.360 Residential rental.

- A. Businesses consisting of the rental of residential units shall be required to obtain a business license. Each separate property location shall be required to obtain separate licenses; the fee shall be computed as if each such location is a separate and independent business.
- B. Application. The finance department shall not issue a business license certificate to a property owner unless a property owner has first submitted a residential rental program application along with a self-certification checklist as provided in Chapter 15.52.
- C. Revocation. If the community development director determines that a residential rental unit is not in compliance with the provisions of Chapter 15.52 or any applicable State law, the community development director may

revoke the business license certificate for that residential rental unit. The community development director must send notice of his or her decision to revoke the business license certificate to the owner at the address identified on the application by certified mail, return receipt requested. The notice must set forth the reasons for the community development director's decision to revoke the business license certificate.

- D. Appeal. An owner may appeal the community development director's decision to revoke the business license certificate to the planning commission. An appeal must be made within ten (10) calendar days after receipt of notice of the community development director's decision. The appeal must be made on the appeal form provided by the City and must be accompanied by a fee based on an amount established by resolution of the City Council. If an appeal is not made within ten (10) calendar days of the community development director's decision, the community development director's decision will be final. The revocation of any business license certificate shall not release or discharge the business license certificate holder from paying any fees due to the city, nor shall such business license certificate holder be released from prosecution for violating any state or city code or ordinance."

SECTION 3. Severability. If any section, subsection, subdivision, paragraph, sentence, clause or phrase of this Ordinance or any part hereof is for any reason held to be invalid or unconstitutional, such decision shall not affect the validity of the remaining portion of this Ordinance or any part thereof. The City Council hereby declares that it would have passed each section, subsection, subdivision, paragraph, sentence, clause or phrase hereof, irrespective of the fact that any one or more section, subsection, subdivision, paragraph, sentence, clause or phrase be declared invalid or unconstitutional.

SECTION 4. Publication; Effective Date. The City Clerk shall cause this Ordinance, or a summary hereof, to be published in accordance with applicable law and/or City ordinance or resolution.

PASSED, APPROVED, AND ADOPTED this [redacted] day of [redacted], 2016.

Larry McCallon
Mayor

ATTEST:

Betty Hughes, CMC
City Clerk

APPROVED AS TO FORM:

Craig Steele
City Attorney



STAFF REPORT

TO THE CITY COUNCIL

DATE: November 22, 2016

FROM: Joseph A. Hughes, City Manager

PREPARED BY: Craig Steele, City Attorney

SUBJECT: Status of City Ordinances regarding Marijuana following Passage of Proposition 64 – The Control, Regulate and Tax Adult Use of Marijuana Act

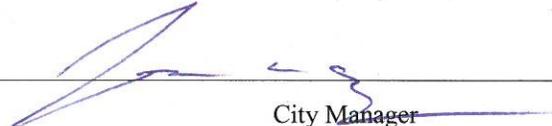
LOCATION: City Wide

RECOMMENDATION: Receive staff's verbal update on the City's ordinances regarding Marijuana following the passage of Proposition 64 and provide comments and directives as appropriate.

SUMMARY: The attached memo summarizes the City of Highland's current regulation on marijuana activity and recommends future City action to address the effects of Proposition 64. Staff is prepared to verbally update the City Council and solicit comments and directives as appropriate.

Attachment:

1. City Attorney Memorandum dated November 16, 2016 - Status of City Ordinances regarding Marijuana following Passage of Proposition 64, *The Control, Regulate and Tax Adult Use of Marijuana Act.*

Approved _____	Motion _____	Second _____	Agenda Item No. <u>16</u>
Denied _____	Ayes _____		
Continued _____	Noes _____		File No. _____
Tabled _____	Abstain _____		
	Absent _____		
 City Clerk		 City Manager	

ATTACHMENT 1

City Attorney Memorandum dated November 16, 2016
- Status of City Ordinances regarding Marijuana following Passage of Proposition
64, *The Control, Regulate and Tax Adult Use of Marijuana Act.*

MEMORANDUM

TO: Honorable Mayor and Members of the City Council
CC: Joseph Hughes, City Manager
FROM: Craig A. Steele, City Attorney
DATE: November 16, 2016
SUBJECT: Status of City Ordinances Regarding Marijuana Following Passage of Proposition 64 – The Control, Regulate and Tax Adult Use of Marijuana Act

As you know, an initiative measure known as the “Control, Regulate and Tax Adult Use of Marijuana Act” (“the Act”) was approved by California voters at the November 8, 2016 election. This memo summarizes the City of Highland’s current regulation of marijuana activity and recommends future City action to address the effects of Proposition 64.

Despite the passage of Proposition 64, the City’s existing bans on medical marijuana businesses and marijuana cultivation are still in effect and enforceable.

Highland’s Current Regulation of Marijuana Activity

The Highland Municipal Code expressly prohibits the cultivation of marijuana in the City in every zone. The Highland Municipal Code also prohibits the operation of medical marijuana businesses, including dispensaries, mobile dispensaries and delivery services in the City.

Effect of the Control, Regulate and Tax Adult Use of Marijuana Act

Now that the Act has been adopted by the voters, it will be legal for persons 21 years of age or older to: (1) smoke or ingest marijuana or marijuana products; (2) possess, process, transport, purchase, obtain, or give away to persons 21 years of age or older, without any compensation, 28.5 grams of marijuana, or 8 grams of concentrated marijuana; and (3) possess, plant, cultivate, harvest, dry or process up to six marijuana plants for personal use in, or upon the grounds of, a private residence.¹

¹ The plants and any marijuana produced by the plants in excess of 28.5 grams must (1) be kept within the person’s private residence, or upon the grounds of that private residence (e.g., in an outdoor garden area), (2) be kept in a locked space, and (3) not be visible by normal unaided vision from a public place.

MEMORANDUM

Honorable Mayor and Members of the City Council
November 16, 2016
Page 2

However, it will remain unlawful, with certain exceptions, to:

Smoke or ingest marijuana or marijuana products in any public place.²

Smoke marijuana or marijuana products in (1) a location where smoking tobacco is prohibited, and (2) within 1,000 feet of a school, day care center, or youth center while children are present at such a school, day care center, or youth center.

Possess, smoke or ingest marijuana or marijuana products in or upon the grounds of a school, day care center, or youth center while children are present.

Smoke or ingest marijuana or marijuana products, or possess an open container or open package of marijuana or marijuana products while driving, operating, or riding in the passenger seat or compartment of a motor vehicle, boat, vessel, aircraft, or other vehicle used for transportation.

Cities retain the right to adopt local controls on marijuana businesses. At present, because Highland prohibits only medical marijuana businesses, the only types of businesses legal before Proposition 64, commercial marijuana businesses may seek to start operating in Highland. Staff has already received inquiries. **However, commercial marijuana businesses, including retailers, dispensaries, manufacturers, cultivation operations, laboratory testing facilities, distributors, and micro-businesses, will also be prohibited from operating in the City until they have obtained State-issued marijuana business licenses.** State licensing authorities will begin issuing licenses to marijuana businesses by January 1, 2018 but such licenses are not being issued yet. Once a State license is obtained, these commercial marijuana activities could be legal in Highland unless the City adopts an ordinance prohibiting them. The City also needs to update the Municipal Code to expressly ban outdoor cultivation consistent with the statute.

Recommendation

Given the City's existing bans on cultivation and medical marijuana businesses, it would be consistent to extend those prohibitions to commercial businesses as well. However, the City also

² A person is not prohibited from smoking marijuana or ingesting marijuana products on the premises of a retailer or micro business if (1) the local jurisdiction allows for the smoking, vaporizing, and ingesting of marijuana or marijuana products on the premises of a retailer or micro business licensed under the Act; (2) access to the area where marijuana consumption is allowed is restricted to persons 21 years of age and older; (3) marijuana consumption is not visible from any public place or non-age restricted area; and (4) sale or consumption of alcohol or tobacco is not allowed on the premises.

MEMORANDUM

Honorable Mayor and Members of the City Council
November 16, 2016
Page 3

could explore legalizing and taxing commercial businesses under Proposition 64. In either case, staff would appreciate receiving direction from the City Council. Amendments to the Zoning Code would need to be considered by the Planning Commission and City Council. We believe that the City will be able to implement these changes before the State starts issuing licenses.



STAFF REPORT

TO THE CITY COUNCIL

DATE: November 22, 2016

FROM: Joseph A. Hughes, City Manager

REVIEWED BY: Lawrence A. Mainez, Community Development Director *Lamy*
Betty Hughes, City Clerk

PREPARED BY: Brandy Littleton, Community Development Administrative Assistant III

SUBJECT: Appoint One (1) Member of the Public to the Building Code Appeals Board

RECOMMENDATION: Staff recommends the City Council appoint one (1) member of the public to the Building Code Appeals Board.

PUBLIC NOTICE: No public notice is required other than placing the matter on the agenda for City Council action. All agendas are posted in three locations, per City Council resolution, as well as the City's website.

BACKGROUND: On September 13, 2016, the City Council declared one (1) seat vacant on the Building Code Appeals Board and posted the vacancy in accordance with the Maddy Act. Pursuant to Chapter 2.35.020 of the Highland Municipal Code, the Building Code Appeals Board is comprised of three (3) members, each member serving a term of two (2) years.

Therefore, it would be appropriate for the City Council to review the attached Public Service Applications and appoint one (1) individual to the Building Code Appeals Board. The member's terms will expire in June, 2018.

Attachment 1. Public Service Applications

Approved _____	Motion _____	Second _____	Agenda Item No. <u>17</u>
Denied _____	Ayes _____		
Continued _____	Noes _____		File No. _____
Tabled _____	Abstain _____		
	Absent _____		
<i>Betty Hughes</i> _____ City Clerk		<i>Joseph A. Hughes</i> _____ City Manager	

ATTACHMENT 1

Public Service Applications

RECEIVED

AUG 25 2016

CITY OF HIGHLAND
CITY CLERK

For Office Use Only:

Expires: _____

PUBLIC SERVICE APPLICATION

Appointees must be residents within the corporate city limits of the City of Highland, serve without compensation, will have to submit an FPPC Statement of Economic Interests form and complete an ethics training course pursuant to AB 1234.

BOARD/COMMISSION/COMMITTEE YOU ARE APPLYING FOR:

_____ Board of Appeals _____

PERSONAL INFORMATION:

Name: Jeff Hinkley

Address: 29029 River Run Lane Highland CA 92346

How long have you resided in Highland? 22 Years

Are you a registered voter at your current address? Yes

Home phone: 909.721.9271 Cell phone: 909.721.9271

Work phone: 909.862.5522

Email address: jeff@hinkleygc.org

Occupation/Employer: General Contractor/HINKLEY AND ASSOCIATES, INC.

Employer address: 6962 Boulder Ave Highland CA 92346

Position held: Owner

Available for meetings: Daytime Evenings x Both

INTEREST IN THE POSITION:

What are your principal areas of interest in your City Government?

 To give back to the community that I live in and hopefully apply the experience in construction that I've gained over the last 30 plus years. _____

Education, training or special knowledge which might be relevant to this appointment:

 I have my Bachelor's Degree from Cal State Long Beach and my General Contractor's License

Employment, membership in service or community organizations or volunteer work which might be relevant to this appointment:

 Served for several years on the Board of Appeals for the City of Highland

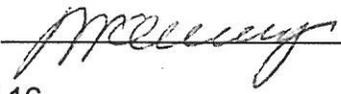
Have you been, or are you now, a member of a governmental board, commission or committee? Yes No

If so, please list the name and dates served:

Several years City of Highland Board of Appeals

REMARKS:

Please indicate any further information you wish to add regarding your desired appointment (use other side of paper if needed).

SIGNATURE: 

DATE: 8.25.16

When you have filled out this application please return it in person or mail to:

**CITY CLERK, CITY OF HIGHLAND
27215 BASE LINE
HIGHLAND CA 92346
(909) 864-6861, EXT. 226**

Be sure to check the due date on any position applied for as all applications must be received by that date. Postmarks will not be accepted.

This application will be kept on file for a period of one year from the date signed.



STAFF REPORT

TO THE CITY COUNCIL

DATE: November 22, 2016

FROM: Joseph A. Hughes, City Manager

REVIEWED BY: Lawrence A. Mainez, Community Development Director 
Betty Hughes, City Clerk

PREPARED BY: Brandy Littleton, Community Development Administrative Assistant III

SUBJECT: Appoint Three (3) Members of the Public to the Historic and Cultural Preservation Board

RECOMMENDATION: Staff recommends the City Council appoint three (3) members of the public to the Historic and Cultural Preservation Board.

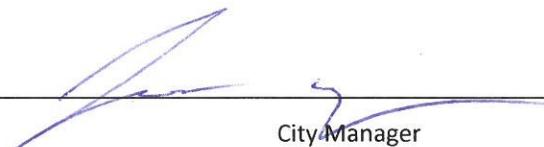
PUBLIC NOTICE: No public notice is required other than placing the matter on the agenda for City Council action. All agendas are posted in three locations, per City Council resolution, as well as the City's website.

BACKGROUND: On September 13, 2016, the City Council declared three (3) seats vacant on the Historic and Cultural Preservation Board and posted those vacancies in accordance with the Maddy Act. Pursuant to Chapter 2.20.050 of the Highland Municipal Code, the Historic and Cultural Preservation Board is comprised of five (5) members, each member serving a term of four (4) years.

Therefore, it would be appropriate for the City Council to review the attached Public Service Applications and appoint three (3) individuals to the Historic and Cultural Preservation Board. The member's terms will expire in November, 2020.

This appointment will fill the vacancies created by Colin Childs, Tony Mauricio, and Patrick Sandford, who have all reapplied for new terms.

- Attachment 1. Public Service Applications
2. Attendance Record

Approved _____	Motion _____	Second _____	Agenda Item No. <u>18</u>
Denied _____	Ayes _____		
Continued _____	Noes _____		File No. _____
Tabled _____	Abstain _____		
	Absent _____		
 _____ City Clerk		 _____ City Manager	

ATTACHMENT 1

Public Service Applications

Historic and Cultural Preservation Board

Applicant

Colin Childs



RECEIVED

SEP 16 2016

CITY OF HIGHLAND

For Office Use Only:

Expires: _____

PUBLIC SERVICE APPLICATION

Appointees must be residents within the corporate city limits of the City of Highland, serve without compensation, will have to submit an FPPC Statement of Economic Interests form and complete an ethics training course pursuant to AB 1234.

BOARD/COMMISSION/COMMITTEE YOU ARE APPLYING FOR:

Historic and Cultural Preservation Board

PERSONAL INFORMATION:

Name: Colin Childs

Address: 6986 Church Ave, Highland, CA, 92346

How long have you resided in Highland? 8 yrs

Are you a registered voter at your current address? yes

Home phone: _____ Cell phone: 909 3636836

Work phone: 909 793-2853 x 2686

Email address: CCHILD@esri.com / arquisman@gmail.com

Occupation/Employer: ESRI inc.

Employer address: 380 New York St, Redlands

Position held: Product Engineer

Available for meetings: Daytime Evenings Both
occasionally

INTEREST IN THE POSITION:

What are your principal areas of interest in your City Government?

Historic + Cultural Preservation Board

Education, training or special knowledge which might be relevant to this appointment:

Urban Geographer
GIS Specialist
Geography + GIS University Instructor
at Uu + UCR + UC Riverside.

Employment, membership in service or community organizations or volunteer work which might be relevant to this appointment:

Current member of Highland Historic + Cultural Preservation Board.

Have you been, or are you now, a member of a governmental board, commission or committee? Yes No

If so, please list the name and dates served:

Highland's Historic + Cultural Preservation
Board

REMARKS:

Please indicate any further information you wish to add regarding your desired appointment (use other side of paper if needed).

I am currently on the Board and would like
to continue fulfilling my duties as a
member. I am both a Geographer and
a earth scientist and own a historic home
so I have several skills in different areas
that I can bring to the Historic + Cultural
Preservation Board

SIGNATURE: _____

DATE: 09/14/2016

When you have filled out this application please return it in person or mail to:

**CITY CLERK, CITY OF HIGHLAND
27215 BASE LINE
HIGHLAND CA 92346
(909) 864-6861, EXT. 226**

Be sure to check the due date on any position applied for as all applications must be received by that date. Postmarks will not be accepted.

This application will be kept on file for a period of one year from the date signed.

Historic and Cultural Preservation Board
Applicant

Tony Mauricio



RECEIVED

For Office Use Only:

OCT 18 2016

Expires: _____

CITY OF HIGHLAND
CITY CLERK

PUBLIC SERVICE APPLICATION

BOARD/COMMISSION/COMMITTEE YOU ARE APPLYING FOR:

Historic and Preservation Board Highland

PERSONAL INFORMATION:

Name: Tony Mauricio

Address: 7811 Village Lakes Rd. Highland 92346

How long have you lived in Highland? 16 years.

Are you a registered voter at your current address? Yes.

Home phone: (909) 862-2412 Work phone: (909) 312-9805

Employer: Stater Bros.

Employer address: 11 East Colton Ave. Redlands CA.

Position held: Service Manager

Available for meetings: Daytime Evenings Both

INTEREST IN THE POSITION:

What are your principal areas of interest in your City Government?

I am currently serving on the Historic & Preservation Board: _____

Education, training or special knowledge which might be relevant to this appointment:

I am seeking to remain on the Board and look forward to serving for another term. _____

Employment, membership in service or community organizations or volunteer work which might be relevant to this appointment:

I also serve as President of the Highland Kiwanis Club, & have been in that position for the last 3 years. _____

Have you been, or are you now, a member of a governmental board, commission or committee? Yes No

If so, please list the name and dates served:

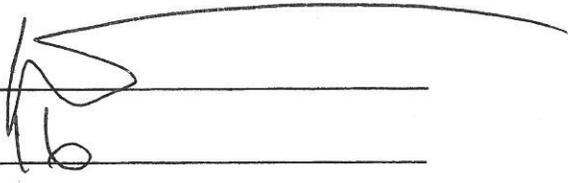
Highland Historic & Preservation Board
12-8-14 — Present —————

REMARKS:

Please indicate any further information you wish to add regarding your desired appointment (use other side of paper if needed).

I hope to serve another term and look forward in putting together the Citrus Harvest Festival.

SIGNATURE: _____



DATE: _____

10-18-16

When you have filled out this application please return it in person, or mail to:

**CITY CLERK, CITY OF HIGHLAND
27215 EAST BASE LINE
HIGHLAND CA 92346
(909) 864-6861 EXT. 226**

Be sure to check the due date on any position applied for as all applications must be received by that date. Postmarks will not be accepted.

All appointees serve without compensation.

Unless otherwise noted, all appointees must be residents within the corporate city limits of the City of Highland.

This application will be kept on file for a period of 1 year from the date signed.

Historic and Cultural Preservation Board
Applicant

Patrick Sandford



For Office Use Only:

Expires: _____

RECEIVED
NOV - 7 2015
CITY OF HIGHLAND

PUBLIC SERVICE APPLICATION

Appointees must be residents within the corporate city limits of the City of Highland, serve without compensation, will have to submit an FPPC Statement of Economic Interests form and complete an ethics training course pursuant to AB 1234.

BOARD/COMMISSION/COMMITTEE YOU ARE APPLYING FOR:

CULTURAL
HISTORIC AND PRESERVATION BOARD

PERSONAL INFORMATION:

Name: PATRICK SANDFORD

Address: 29025 LAKE VIEW LANE HIGHLAND

How long have you resided in Highland? 13 YEARS

Are you a registered voter at your current address? YES

Home phone: (909) 863-7533 Cell phone: (909) 754-9499

Work phone: (909) 863-5899 ext 5590

Email address: JPSNKIDS @ AOL.COM

Occupation/Employer: SURVEILLANCE INVESTIGATOR / SMGC

Employer address: 27995 HIGHLAND AVE HIGHLAND 92346

Position held: SURVEILLANCE INVESTIGATOR

Available for meetings: Daytime Evenings Both

INTEREST IN THE POSITION:

What are your principal areas of interest in your City Government?

PRESERVING HISTORY

Education, training or special knowledge which might be relevant to this appointment:

MULTIPLE HCPB DRAWINGS AND MEETINGS

Employment, membership in service or community organizations or volunteer work which might be relevant to this appointment:

HIGHLAND HISTORICAL SOCIETY

CURRENT MEMBER OF THE HCPB

Have you been, or are you now, a member of a governmental board, commission or committee? Yes No

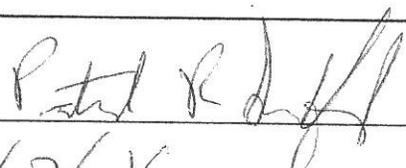
If so, please list the name and dates served:

HCPB

REMARKS:

Please indicate any further information you wish to add regarding your desired appointment (use other side of paper if needed).

I AM THE CURRENT CHAIRMAN OF THE HCPB. I WOULD LIKE TO REMAIN ON THE BOARD

SIGNATURE: 

DATE: 11/7/16

When you have filled out this application please return it in person or mail to:

CITY CLERK, CITY OF HIGHLAND
27215 BASE LINE
HIGHLAND CA 92346
(909) 864-6861, EXT. 226

Be sure to check the due date on any position applied for as all applications must be received by that date. Postmarks will not be accepted.

This application will be kept on file for a period of one year from the date signed.

ATTACHMENT 2

Attendance Record

Historic & Cultural Preservation Board

Legend: A - Absent C - Canceled P - Present Meeting Date: 1st Thursday

Date	Colin Childs	Pam Bible	Tony Mauricio	Patrick Sandford	Karsten Polk	Notes
1/7/2016	P	P	P	P	P	
2/4/2016	A	P	P	P	P	
3/3/2016	P	P	P	P	P	
4/7/2016	A	P	P	A	P	
6/2/2016	C	C	C	C	C	
8/4/2016	P	P	P	P	P	
10/6/2016	C	C	C	C	C	
10/19/2016	P	P	P	P	VACANT	
12/1/2016						
TOTALS	P-4	P-6	P-6	P-5	P-5	
	A-2	A-0	A-0	A-1	A-0	
	C-2	C-2	C-2	C-2	C-2	



STAFF REPORT

TO THE CITY COUNCIL

DATE: November 22, 2016

FROM: Joseph A. Hughes, City Manager

PREPARED BY: Betty Hughes, MMC, City Clerk

SUBJECT: Code of Ethics

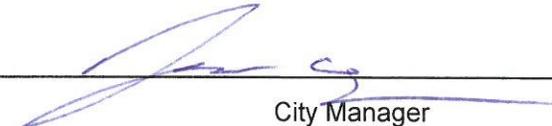
RECOMMENDATION: That the City Council review the current Code of Ethics and make any recommendations or changes, if needed.

FISCAL IMPACT: None

PUBLIC NOTICE: The agenda for this item was posted at the three locations per Resolution No. 2011-047 and on the City's website.

BACKGROUND: The Code of Ethics was adopted by the City Council in January 2004 and is being brought forward for its annual review. The Code of Ethics has been reviewed by all Boards, Committees, and Commission and did not receive any comments.

c:\users\bhughes\documents\my documents\staffreports\2016 code of ethics.doc

Approved _____	Motion _____	Second _____	Agenda Item No. <u>19</u>
Denied _____	Ayes _____		
Continued _____	Noes _____		File No. _____
Tabled _____	Abstain _____		
	Absent _____		
 City Clerk		 City Manager	

CITY OF HIGHLAND CODE OF ETHICS

PREAMBLE

The citizens and businesses of Highland are entitled to have fair, ethical and accountable local government which has earned the public's full confidence for integrity. In keeping with the City of Highland's commitment to excellence, the effective functioning of democratic government therefore requires that:

- ✓ public officials, both elected and appointed, comply with both the letter and spirit of the laws and policies affecting the operations of government;
- ✓ public officials be independent, impartial and fair in their judgement and actions;
- ✓ public office be used for public good, not for personal gain; and
- ✓ public deliberations and processes be conducted openly, unless legally confidential, in an atmosphere of respect and civility.

To this end, the Highland City Council has adopted a Code of Ethics for members* of the City Council and of the City's boards, commissions and committees to assure public confidence in the integrity of local government and its effective and fair operation.

PRINCIPLES

1. Act in the Public Interest

Recognizing that stewardship of the public interest must be their primary concern, members will work for the common good of the people of Highland and not for any private or personal interest, and they will assure fair and equal treatment of all persons, claims and transactions coming before the Highland City Council, boards, commissions and committees.

2. Comply with the Law

Members shall comply with the laws of the nation, the State of California and the City of Highland in the performance of their public duties. These laws include, but are not limited to: the United States and California constitutions; laws pertaining to conflicts of interest, election campaigns, financial disclosures, employer responsibilities, and open processes of government; and City ordinances and policies.

3. Conduct of Members

The professional and personal conduct of members must be above reproach and avoid even the appearance of impropriety. Members shall refrain from abusive conduct, personal charges or verbal attacks upon the character or motives of other members of Council, boards, commissions and committees, the staff or public.

4. Respect for the Process

Members shall perform their duties in accordance with the processes and rules or order established by the City Council, boards, commissions and committees governing the deliberation of public policy issues, meaningful involvement of the public, and implementation of policy decisions of the City Council by City staff.

5. Conduct of Public Meetings

Members shall prepare themselves for public issues; listen courteously and attentively to all public discussions before the body; and focus on the business at hand. They shall refrain from interrupting other speakers; making personal comments not germane to the business of the body; or otherwise interfering with the orderly conduct of meetings.

6. Decisions Based on Merit

Members shall base their decisions on the merits and substance of the matter at hand, rather than on unrelated considerations.

7. Communication

Members shall publicly share substantive information that is relevant to a matter under consideration by the Council or boards and commissions, which they may have received from sources outside of the public decision-making process.

8. Conflict of Interest

In order to assure their independence and impartiality on behalf of the common good, members shall not use their official positions to influence government decisions in which they have a material financial interest or where they have an organizational responsibility or personal relationship, which may give the appearance of a conflict of interest. In accordance with the law, members shall disclose investments, interests in real property, sources of income, and gifts, and they shall abstain from participating in deliberations and decision-making where conflicts may exist.

9. Gifts and Favors

Members shall not take any special advantage of services or opportunities for personal gain, by virtue of their public office, that are not available to the public in general. They shall refrain from accepting any gifts, favors or promises of future benefits which might compromise their independence of judgement or action or give the appearance of being compromised.

10. Confidential Information

Members shall respect the confidentiality of information concerning the property, personnel or affairs of the City. They shall neither disclose confidential information without proper legal authorization, nor use such information to advance their personal, financial or other private interests.

11. Use of Public Resources

Members shall not use public resources not available to the public in general, such as City staff time, equipment, supplies or facilities, for private gain or personal purposes.

12. Representation of Private Interests

In keeping with their role as stewards of the public interest, members of Council shall not appear on behalf of the private interests of third parties before the Council or any board, commission or proceeding of the City, nor shall members of boards and commissions appear before their own bodies or before the Council on behalf of the private interests of third parties on matters related to the areas of service of their bodies.

13. Advocacy

Members shall represent the official policies or positions of the City Council, board or commission to the best of their ability when designated as delegates for this purpose. When presenting their individual opinions and positions, members shall explicitly state they do not represent their body or the City of Highland, nor shall they allow the inference that they do.

14. Policy Role of Members

Members shall respect and adhere to the council-manager structure of Highland City government. In this structure, the City Council determines the policies of the City with the advice, information and analysis provided by the public, boards and commissions, and City staff. Members therefore shall not interfere with the administrative functions of the City or the professional duties of City staff; nor shall they impair the ability of staff to implement Council policy decisions.

15. Independence of Boards and Commissions

Because of the value of the independent advice of boards and commissions to the public decision-making process, members of Council shall refrain from using their position to unduly influence the deliberations or outcomes of board and commission proceedings.

16. Positive Work Place Environment

Members shall support the maintenance of a positive and constructive work place environment for City employees and for citizens and businesses dealing with the City. Members shall recognize their special role in dealings with City employees to in no way create the perception of inappropriate direction to staff.

17. Implementation

As an expression of the standards of conduct for members expected by the City, the Highland Code of Ethics is intended to be self-enforcing. It therefore becomes most effective when members are thoroughly familiar with it and embrace its provisions. For this reason, ethical standards shall be included in the regular orientations for candidates for City Council, applicants to boards and commissions, and newly elected and appointed officials. Members entering office shall sign a statement affirming they read and understand the City of Highland Code of Ethics. In addition, the Code of Ethics shall be annually reviewed by the City Council, boards and commissions, and the City Council shall consider recommendations from boards and commissions and update it as necessary.

18. Compliance and Enforcement

The Highland Code of Ethics expresses standards of ethical conduct expected for members of the Highland City Council, boards and commissions. Members themselves have the primary responsibility to assure that the ethical standards are understood and met, and that the public can continue to have full confidence in the integrity of government.

The chairs of boards and commissions and the Mayor have the additional responsibility to intervene when actions of members that appear to be in violation of the Code of Ethics are brought to their attention.

The City Council may impose sanctions on members whose conduct does not comply with the City's ethical standards, such as reprimand, formal censure, or loss of committee assignments. The City Council also may remove members of boards and commissions from office.

A violation of this Code of Ethics shall not be considered a basis for challenging the validity of a Council, board or commission decision.

Adopted by the Highland City Council
January 27, 2004

* For ease of reference in the Code of Ethics, the term "member" refers to any member of the Highland City Council or any of the City's boards, commissions and committees established by City ordinance or Council policy.



STAFF REPORT

TO THE CITY COUNCIL

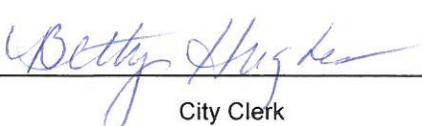
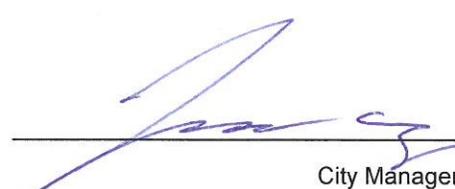
DATE: November 22, 2016

FROM: Joseph A. Hughes, City Manager

PREPARED BY: Betty Hughes, MMC, City Clerk

SUBJECT: Update on SANBAG, SCAG, Omnitrans, Work Program and Regional/Legislative Issues/Development Issues/Subcommittees/AB 1234 Updates

RECOMMENDATION: Discussion and possible action.

Approved _____	Motion _____	Second _____	Agenda Item No. <u>20</u>
Denied _____	Ayes _____		
Continued _____	Noes _____		File No. _____
Tabled _____	Abstain _____		
	Absent _____		
 _____ City Clerk		 _____ City Manager	



STAFF REPORT

TO THE CITY COUNCIL

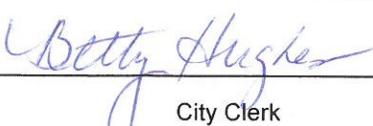
DATE: November 22, 2016

FROM: Joseph A. Hughes, City Manager

PREPARED BY: Betty Hughes, MMC, City Clerk

SUBJECT: San Bernardino International Airport Authority and IVDA

RECOMMENDATION: Discussion and possible action.

Approved _____	Motion _____	Second _____	Agenda Item No. <u>21</u>
Denied _____	Ayes _____		
Continued _____	Noes _____		File No. _____
Tabled _____	Abstain _____		
	Absent _____		
 _____ City Clerk		 _____ City Manager	